Government of Alberta

BUDGET2009

BUILDING ON
OUR STRENGTH

Fiscal Plan

Alberta

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BUDGET2009

BUILDING ON
OUR STRENGTH

Fiscal Plan

PRESENTED BY

IRIS EVANS
MINISTER OF FINANCE AND ENTERPRISE
in the Legislative Assembly of Alberta
April 7, 2009

Alberta

FISCAL PLAN VOLUME

TABLE OF CONTENTS

Highlights 1

Fiscal Plan 2009–12. 5

Capital Plan 2009–12 89

Economic Outlook. 113

Tax Plan 143

Response to the Auditor General 157

HIGHLIGHTS

BUDGET2009

BUILDING ON
OUR STRENGTH

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BUDGET2009
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OUR STRENGTH

HIGHLIGHTS

BUILDING ON OUR STRENGTH

Budget 2009 *builds on our strong fiscal position to foster growth from the current economic downturn.*

FISCAL SUMMARY

- **Revenue** is forecast to decline by 11% to $31.7 billion in 2009-10. Lower resource revenue and income taxes, and the elimination of health care insurance premiums, are partly offset by higher federal transfers and investment income. Tobacco taxes and liquor markups are increased.
- **Expense** is decreasing $678 million in 2009-10. Lower capital grants and no natural gas rebates are partly offset by a 3.7% operating expense increase, mainly for health care, education and supports for those in need. This is net of $215 million in value review savings.
- **Deficit** is estimated at $4.7 billion in 2009-10. Deficits for the following two years are also forecast. These will be offset by transfers from the Alberta Sustainability Fund. If fiscal conditions do not improve beyond forecast, $2 billion in corrective actions will be taken by 2010-11.

Fiscal Summary[a]
(millions of dollars)

	2007-08 Actual	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target	2012-13 Projection	2013-14 Projection
Revenue	38,169	35,627	31,661	34,031	36,385	38,404	40,996
Expense	33,588	37,053	36,375	38,445	40,138	40,294	40,768
Surplus/ (deficit) before correction	4,581	(1,426)	(4,714)	(4,414)	(3,753)	(1,890)	228
Fiscal correction	-	-	-	2,000	2,000	2,000	2,000
Surplus/ (deficit)	**4,581**	**(1,426)**	**(4,714)**	**(2,414)**	**(1,753)**	**110**	**2,228**

[a] Does not include changes in pension obligations or SUCH sector equity. Expense in 2009-10 and future years is net of $215 million in value review savings.

NEW *FISCAL RESPONSIBILITY ACT*

A new fiscal framework is being implemented in 2009-10.

- A new fiscal framework is being implemented in 2009-10, as the current fiscal situation necessitates changes. The previous framework was mainly intended to provide limits during times of strong revenue growth, but had become overly complex.
- The new framework retains some basic elements, but increases flexibility:
  - Deficits are only permitted if offset by transfers from the expanded Alberta Sustainability Fund.
  - Borrowing for operating purposes continues to be disallowed, while borrowing for capital purposes and by self-supporting corporations continues to be allowed.
  - In-year operating expense increases are limited to 1% of budgeted total ministry operating expense.

KEY ASSUMPTIONS

- The global economy is in recession in 2009. With stabilization of financial markets, recovery is expected in 2010. Alberta's economy is expected to contract in 2009 by 2%. With rising energy demand and prices, growth of 1.8% is forecast for 2010.
- Energy prices are forecast to strengthen, with oil averaging US$55.50/bbl and natural gas averaging Cdn$5.50/GJ in 2009-10.
- There is a wide range of views regarding the duration and depth of the global and US recession. *Budget 2009* is based on assumptions close to the average of forecasters.

Global economic recovery expected in 2010.

SPENDING HIGHLIGHTS

- **Operating expense** is increasing by 3.7% or $1.1 billion in 2009-10, net of value review savings of $215 million.
  - **Health and Wellness:** 4.6% increase. Alberta Health Services operating grant includes funding for emergency medical services.
  - **Education:** 3.2% increase, mainly for teachers' salaries, enrolment growth and the class size initiative.
  - **Advanced Education and Technology:** 3.4% increase, including 6% increase in base operating grants to post-secondary institutions.
  - **Seniors and Community Supports:** 8.7% increase, including increases in the maximum monthly income benefits under the Assured Income for the Severely Handicapped program and the Alberta Seniors Benefit.
  - **Other ministries:** 4.4% increase. Includes funding for safe communities initiatives, additional child care spaces, employment and training programs, initiatives aimed at developing energy resources in an environmentally sound manner, affordable housing programs and implementing the plan to end homelessness.
  - These increases are all subject to savings resulting from the value review.
- **2009-12 Capital Plan** supports $23.2 billion in capital projects. $1.1 billion will be directly borrowed each year for the next three years to support capital spending. Continued strong support for infrastructure meets Alberta's needs and is effective in supporting the economy and jobs.
  - **Health, Schools and Post-Secondary Facilities:** $5.8 billion for new, renovated or expanded facilities, and maintenance and renewal.
  - **Provincial Highway Network:** $5.8 billion mainly for continued construction of ring roads, improvements to Highway 63 and paving and rehabilitation work.
  - **Municipal Infrastructure Support:** $5.6 billion primarily for the Municipal Sustainability Initiative, transportation grants, federal programs and GreenTRIP.
  - **Other Capital Expense:** $5.3 billion mainly for carbon capture and storage and other environmental projects, housing, water and wastewater projects, community facilities, maintenance and upgrades to provincial parks and other government facilities.
  - **Unallocated provision:** $580 million set aside, mainly to meet potential capital pressures and match federal economic stimulus transfers.

ACCOUNTABILITY STATEMENT

The government's Fiscal Plan for the three years commencing April 1, 2009 was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as of March 12, 2009 with material economic or fiscal implications have been considered in preparing the three-year Fiscal Plan.

The government is committed to achieving the planned results laid out in the Fiscal Plan, which includes the government's Business Plan and Capital Plan.

Iris S. Evans

Iris Evans
Minister of Finance and Enterprise
March 27, 2009

2009–12 FISCAL PLAN

BUDGET2009

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FISCAL PLAN 2009–12

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OUR STRENGTH

TABLE OF CONTENTS

FISCAL PLAN 2009–12

Fiscal Overview 7
Spending Plan 27
Revenue Outlook 43
Fiscal Plan Tables 63

FISCAL OVERVIEW

BUDGET2009

BUILDING ON
OUR STRENGTH

TABLE OF CONTENTS

FISCAL OVERVIEW

Building On Our Strength 9
Fiscal Overview 10
Economic Assumptions 11
Revenue Assumptions. 12
Spending 15
Operating Expense 17
Capital Spending 19
Alberta Savings and Fiscal Management 21
Alberta's Fiscal Framework 22
Risks 24

FISCAL OVERVIEW

BUILDING ON OUR STRENGTH

Budget 2009 builds on our strong fiscal position to foster growth from the current economic downturn. Actions taken over the last 16 years resulted in the elimination of accumulated debt and nearly $17 billion in short term savings set aside. This gives Alberta flexibility to weather the storm and emerge with strength.

> Budget 2009 *builds on our strong fiscal position to foster growth from the current economic downturn.*

In 2008-09, the government took action to manage growth and focus on key priorities:

- energy development and the environment;
- health care;
- strong, safe and vibrant communities;
- creating opportunities through a skilled workforce, value-added activity and an innovative economy;
- infrastructure needs with economic and population growth.

Budget 2009 addresses the current economic downturn while continuing to provide programs and services for Albertans, with a focus on health care, education and helping those who need it most. Significant investment in infrastructure will continue, supporting the economy during challenging times. Estimates suggest every $1 billion invested in public infrastructure supports 11,600 jobs.

> Budget 2009 *addresses the current economic downturn while continuing to provide programs and services for Albertans.*

In 2009-10, operating expense will increase by 3.7%. The three-year Capital Plan is a record $23.2 billion, 4.5% higher than last year's budgeted plan. Commitments to the environment and developing the oilsands in a responsible manner remain firm, including $2 billion for carbon capture and storage.

All of this will be done while maintaining the lowest tax regime in Canada and one of the lowest in North America. If Alberta had the same tax system as other provinces, Albertans and Alberta businesses would pay the equivalent of between $2,900 and $5,200 per capita more in taxes each year.

Budget 2009 supports the government's four point economic plan:

- keeping a close eye on spending, and making sure government gets the best return on taxpayers' dollars;
- using savings set aside for risk management to protect the programs and services Albertans rely on;
- continuing to build our province and investing in our future;
- maintaining a strong presence on the world stage.

FISCAL OVERVIEW

Alberta is facing our first recession since 1986.

The last year has been tumultuous, beginning with solid global economic growth and surging energy prices, and ending with a global recession, financial markets in turmoil, and weakening demand undercutting commodity prices. Alberta is facing our first recession since 1986.

Alberta's forecast 2008-09 financial results, as reported in the *2008-09 Third Quarter Fiscal Update* and presented in *Budget 2009* documents, reflect a $1.4 billion deficit. This is the first deficit in 15 years.

Budget 2009 *projects deficits for 2009-10 and the following two years and a return to surpluses in 2012-13.*

Budget 2009 also projects a deficit for 2009-10, of $4.7 billion, and deficits for the following two years. By 2012-13 a return to surpluses is forecast. The deficits will be offset by transfers from the expanded Alberta Sustainability Fund, as permitted under the new *Fiscal Responsibility Act*. The new Act changes the fiscal framework for 2009-10 and future years. While a number of elements from the previous framework are being retained, the new framework is less complex and provides enhanced flexibility. As dollars become available, the Sustainability Fund will be replenished with a goal of reaching $10 billion.

The fiscal imbalance is mainly due to the significant drop in revenue. In 2009-10, resource revenue is estimated to be almost $6.4 billion lower and income tax revenue almost $1.4 billion lower than in 2008-09. Total revenue in 2009-10 is forecast to decline to $31.7 billion from $35.6 billion in 2008-09; two years ago, in 2007-08, total revenue was over $38 billion. Revenue is forecast to grow by an average of 7% per year in 2010-11 and 2011-12.

Operating expense, less $215 million in value review savings that will be found in 2009-10, is increasing by 3.7% in 2009-10. This reflects population growth plus inflation at the time ministry budgets were set.

The 2009-12 Capital Plan will support $23.2 billion of infrastructure projects. Investing in Alberta's infrastructure is an effective way to support the economy because it supports jobs. The Capital Plan includes increased federal government support and carbon capture and storage and Green Transit Incentives Program (GreenTRIP) projects.

Substantial short and medium term savings accumulated over the last seven years means the government can continue, with some adjustments, to stick to operating and capital plans, and build on our strength.

Alberta has a degree of fiscal flexibility because of the substantial short and medium term savings accumulated over the last seven years. By using a portion of these savings, sudden and drastic spending reductions can be avoided. The government can continue, with some adjustments, to stick to operating and capital plans, and build on our strength.

If the current situation does not improve beyond the forecast presented in *Budget 2009*, the government will take $2 billion in fiscal corrective actions by 2010-11. The savings set aside provide time to evaluate the depth and length of the global recession. But the government will act if necessary.

There will be no borrowing to fund government operations. The ability to alternatively finance capital spending continues to be permitted. In addition to the P3 projects that are planned, underway or completed, $1.1 billion per year for the next three years will be directly borrowed. This means a higher amount can be retained in the Sustainability Fund for enhanced flexibility over the medium term.

The actual fiscal results over the next three years will depend largely on factors outside the control of the Alberta government: global and US economic recovery, energy demand and prices, financial markets and the US-Canadian dollar exchange rate. The degree of uncertainty over the next three years is unparalleled. A stronger global economic recovery and higher-than-estimated energy prices could add billions of dollars to revenue. A Canadian dollar reaching par with the US dollar could reduce revenue by billions of dollars.

The degree of uncertainty over the next three years is unparalleled.

Budget 2009 takes into account this uncertainty. The outlook used for major economic factors is similar to the average of other forecasters. The Sustainability Fund provides protection if economic conditions do not improve as forecast. The government is committed to taking fiscal corrective actions if necessary.

Budget 2009 *takes into account this uncertainty.*

Fiscal Summary[a]

(millions of dollars)

	2007-08 Actual	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target	2012-13 Projection	2013-14 Projection
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ECONOMIC ASSUMPTIONS

World Economy. Sparked by the worst financial crisis since the 1930s, the global recession has prompted governments around the world to take actions to stabilize financial systems and stimulate economies. These measures are expected to begin having an impact toward the end of 2009, with modest global economic growth in 2010 of about 2%. This compares to the five-year average of 4.6%.

World economy to recover in 2010, with growth of around 2%.

United States. The crisis in the US housing markets created a domino effect: a number of financial institutions failed, global credit markets tightened, equity markets and commodity prices tumbled and economies around the world entered recessions. The US Federal Reserve Board and other central banks slashed interest rates and took other unprecedented measures to create liquidity. The US government undertook massive fiscal stimulus initiatives, mainly intended to stem deteriorating labour markets and stabilize financial markets. The US economy is expected to contract by 3% in 2009 and to grow modestly by 1.5% in 2010. However, if the US recession deepens, or takes longer to recover, forecast global economic growth would be weaker.

The US economy is expected to contract by 3% in 2009.

Canada. The weakness in the US and world economy have pushed Canada into recession, with the economy expected to shrink by 2% in 2009. Due partly to the soundness of the Canadian financial sector, the Canadian economy is expected to recover with relatively strong growth of 2.7% in 2010, and average growth of around 3% over the medium term. The Canadian dollar is forecast to stabilize around US 90 cents.

Canada's economy is expected to shrink by 2% in 2009.

Exchange and Interest Rate Assumptions

	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target	2012-13 Projection
Exchange Rate	89.5	83.5	87.5	90.0	90.0
Interest Rate (3 month)	1.75	0.60	1.90	4.00	4.00
Interest Rate (10-year)	3.40	3.05	3.65	4.75	4.75

The Alberta economy is expected to contract by 2% in 2009 and grow 1.8% in 2010.

Alberta. The economy is expected to contract by 2% in 2009, marking Alberta's first recession since 1986. Business investment is expected to fall, due to the global recession, the resulting decline in energy prices and tight credit markets. Employment growth is forecast to be negative in 2009. With the forecast global recovery, and higher energy demand and prices, Alberta's economy is expected to grow 1.8% in 2010, and to average 3% growth over the medium term.

Alberta Economic Assumptions
(percent change)

	2008 Actual	2009 Forecast	2010 Forecast	2011 Forecast	2012 Forecast
Nominal Economic Growth (Est.)	11.6	(13.0)	6.6	6.6	6.8
Real Economic Growth (Est.)	1.5	(2.0)	1.8	3.0	3.3
Employment	2.8	(0.8)	1.0	2.1	2.2
Population	2.1	1.9	1.7	1.7	1.7
Alberta CPI	3.1	1.0	1.7	2.0	2.0

REVENUE ASSUMPTIONS

Total revenue is expected to decline in 2009-10, reflecting the impact of the global recession, financial market liquidity tightness and lower energy demand and prices.

Total revenue is expected to decline $4 billion from 2008-09 to $31.7 billion in 2009-10. This reflects the forecast impact of the global recession, financial market liquidity tightness and lower energy demand and prices. The decline in revenue follows a decrease of $2.5 billion in 2008-09 from the previous year, primarily as a result of investment losses. In 2010-11 and 2011-12, revenue is forecast to show healthy growth of about 7% per year, as a result of the expected global economic recovery.

- Energy revenue is expected to decrease by $6.4 billion in 2009-10, and then increase by almost $3 billion by 2011-12. The current reduction in global oil demand and the impact on energy prices are expected to be reversed in 2010 as the global economy recovers.
- Non-energy revenue is forecast to increase by $2.4 billion in 2009-10, and then increase by another $1.7 billion by 2011-12. The increase in 2009-10 is due to positive investment income and higher federal transfers, partially offset by lower corporate income tax revenue and the elimination of health care insurance premiums.

Total Revenue
(millions of dollars)

	2007-08 Actual	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target
Non-renewable resource revenue	11,024	12,289	5,903	7,386	8,892
Tax revenue	16,539	16,013	14,752	15,281	16,202
Investment income	2,414	(1,872)	1,799	1,873	1,940
Other revenue	8,192	9,197	9,207	9,491	9,351
Total Revenue	**38,169**	**35,627**	**31,661**	**34,031**	**36,385**

Energy Revenue. The significant increase in oil prices in the summer of 2008, a rebound in natural gas prices, and a lower Canadian-US dollar exchange rate resulted in a $1.3 billion, or 11.5% increase in energy revenue in 2008-09. However, since then the financial market crisis and global recession that began in the fall of 2008 have had a significant negative impact on world oil demand and North American gas demand, and therefore energy prices. As a result, 2009-10 energy revenue is expected to be about half that of 2008-09. However, energy revenue is expected to increase to $8.9 billion by 2011-12.

There is considerable uncertainty and a wide range of views on energy prices.

Oil prices are forecast to decline from an average of US$85.50 per barrel in 2008-09 to US$55.50 in 2009-10, before increasing to US$72.50 in 2011-12. Natural gas prices are forecast to decrease from Cdn$7.00 per gigajoule (GJ) in 2008-09 to Cdn$5.50 in 2009-10, before increasing to Cdn$6.25 by 2011-12. There is considerable uncertainty and a wide range of views on energy prices. For 2009-10, private forecasts range from about US$36 to US$79 for oil and from about Cdn$3.90/GJ to Cdn$7.10 for natural gas.

Energy Prices

	2006-07 Actual	2007-08 Actual	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target
Oil price (US$/bbl, WTI)	64.89	82.25	85.50	55.50	64.50	72.50
Natural gas price (Cdn$/GJ)	5.94	5.92	7.00	5.50	6.00	6.25

Tax Revenue. Tax revenue was $16 billion in 2008-09, reflecting the strong economy, and personal income and corporate profits growth of prior years that continued in the first half of the fiscal year. Tax revenue is expected to decline by $1.3 billion in 2009-10, almost entirely due to the impact of the global recession and lower energy prices on corporate profits. Corporate income tax is expected to remain low for several years as losses are carried forward, but other tax revenue is expected to increase. Total tax revenue is forecast to reach $16.2 billion by 2011-12.

Tax revenue is expected to decline due to the impact of the global recession and lower energy prices on corporate profits.

Investment Income. In 2008-09, investment income was negative $1.9 billion. Losses in the Heritage Fund and endowment funds of $3 billion were partially offset by other investment income of $1.1 billion. The realization of embedded losses as assets are sold, drawdown of assets in the Sustainability Fund to offset planned deficits, and low interest rates are expected to dampen investment income in 2009-10 and subsequent years. Investment income is estimated to be $1.8 billion in 2009-10 growing to $1.9 billion by 2011-12.

Other Revenue. Other revenue is estimated at $9.2 billion in 2009-10, almost the same as in 2008-09. Increases in federal transfers for infrastructure and increases in net revenue from liquor and Alberta Treasury Branches commercial operations are offset by the elimination of health care insurance premiums. The enhanced federal infrastructure support continues in 2010-11, but then ends, causing other revenue to decrease slightly in 2011-12 from its 2010-11 level, to $9.4 billion.

REVENUE CHANGES

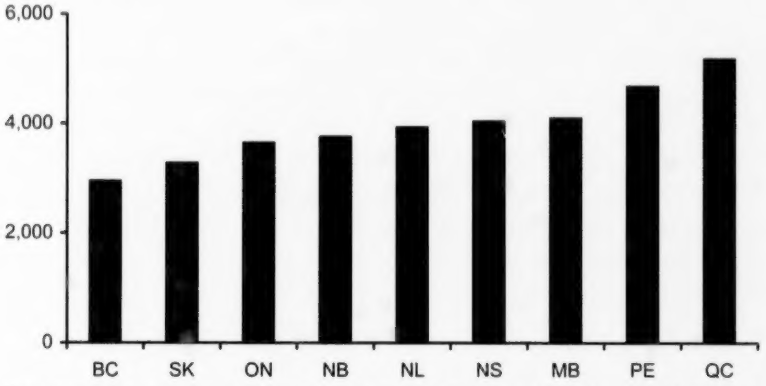
Changes to taxes, premiums and liquor markups. A number of changes have been implemented:

- Annual indexation of the personal income tax system continues, lowering taxes by $115 million in 2009.
- Small business threshold increased to $500,000 as of April 1, 2009.
- Federal changes to corporate income tax are paralleled, including those to capital cost allowance rates announced in the 2009 Federal Budget.
- Education property tax mill rates are reduced by about 16%.
- Health care insurance premiums were eliminated, effective January 1, 2009.
- Increases to tobacco taxes and liquor markups raise revenue by $70 million and $180 million respectively.

Albertans and Alberta businesses continue to pay, by far, the lowest overall taxes in Canada.

Albertans and Alberta businesses continue to pay, by far, the lowest overall taxes in Canada. If Alberta had the same tax system as other provinces, Albertans and Alberta businesses would pay the equivalent of between $2,900 and $5,200 per capita more in taxes each year.

Alberta Tax Advantage[a]
(dollars per capita)



[a] This chart represents, on a per capita basis, the additional provincial taxes that individuals and businesses would pay if Alberta had the same tax structure as other provinces.

Changes to Alberta's royalties. The new royalty framework, including adjustments for deep oil and gas wells, was implemented January 1, 2009. As announced in November, a five-year transitional program has also been added. The new framework is more sensitive to prices and production rates, and has a higher maximum rate than the previous one.

On March 3, 2009 with global economic conditions and the credit crisis continuing to affect the economics of drilling new wells, the government announced two new drilling stimulus initiatives. The basic intent is to increase cash flow thereby making drilling economic for oil and gas companies. The initiatives are estimated to reduce government revenue by about $1.5 billion over two years.

On March 3, 2009 the government announced two new drilling stimulus initiatives to increase cash flow to companies.

Non-renewable Resource Revenue
(millions of dollars)

	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target
Resource revenue before initiatives	12,289	6,745	8,051	8,892
Drilling stimulus initiatives	-	(842)	(665)	-
Total	**12,289**	**5,903**	**7,386**	**8,892**

SPENDING

After several years of strong economic and population growth, which created significant cost pressures on programs and capital projects, Alberta's economic growth moderated in 2008 and is expected to contract in 2009.

While spending plans are being adjusted, the adjustments are being kept to a minimum to support the economy. The *Budget 2009* spending plan is not significantly different from the *Budget 2008* plan. In 2009-10, operating and capital spending is slightly lower. In 2010-11, *Budget 2009* operating expense continues to be lower, while capital spending is significantly higher.

The Budget 2009 *spending plan is not significantly different from the* Budget 2008 *plan.*

Comparison of *Budget 2008* and *Budget 2009* spending plans[a]
(millions of dollars)

	2009-10		2010-11	
	Budget 2008 Target	*Budget 2009* Estimate	*Budget 2008* Target	*Budget 2009* Target
Operating expense	31,569	31,244	32,906	32,393
Capital Plan	7,502	7,179	5,935	7,957

[a] *Budget 2008* operating expense for 2009-10 and 2010-11 has been restated to reflect reporting of external investment management fees as an expense instead of a reduction to revenue. This increases expense by $176 million in 2009-10 and $184 million in 2010-11.

Operating expense in 2009-10 will increase by 3.7% or $1.1 billion, reflecting population growth plus inflation at the time ministry budgets were set. In the next two years, operating expense is targeted to increase by about $1.1 billion per year. These numbers are net of value review savings of $215 million.

$1.1 billion per year over the next three years will be directly borrowed to finance capital spending.

Capital spending (capital grants plus capital investment) is budgeted at $7.2 billion in 2009-10, a reduction of 9.6% from 2008-09. Over the next two years, capital spending is forecast to increase to about $8 billion per year. In addition to alternative financing through P3s currently underway, planned or completed, $1.1 billion per year over the next three years will be directly borrowed to finance capital spending.

Natural gas rebates/emergency/disaster assistance. As the natural gas rebate program expired on March 31, 2009, no amounts are budgeted.

Expense
(millions of dollars)

	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target	3 Year Change
Operating Expense	**30,118**	**31,244**	**32,393**	**33,429**	**3,311**
Capital grants [a]	5,260	4,152	4,978	5,569	309
Natural gas rebates /emergencies	744	-	-	-	(744)
Amortization and nominal sum disposals [b]	716	774	814	828	112
Debt servicing costs	215	205	260	312	97
Total Expense	**37,053**	**36,375**	**38,445**	**40,138**	**3,085**
Percentage increase [c]					
Operating expense	11.2	3.7	3.7	3.2	11.0
Total expense	10.3	-1.8	5.7	4.4	8.3
Capital investment [d]	2,682	3,027	2,979	2,449	(233)

[a] Includes capital support for provincial capital planning, accommodation, provincial highway systems work and government facilities preservation expense. Does not include capital investment in government-owned capital assets.

[b] Includes amortization, consumption of inventories and nominal sum disposals.

[c] 2009-10 percentage increase is from *2008-09 Third Quarter Fiscal Update* forecast.

[d] Capital investment in government-owned assets is not reported in expense. Capital Plan spending equals capital investment plus capital grants.

OPERATING EXPENSE

In 2009-10, $31.2 billion will be spent on programs and services, an increase of 3.7%, or $1.1 billion. Subject to potential fiscal corrections, operating increases for the following two years are forecast at about $1.1 billion per year.

In 2009-10, operating expense will increase by 3.7%.

2009-10 Operating Expense[a]

	2009-10 Budget		2009-10 Increase	
	$ millions	%	$ millions	%
Health and Wellness	12,571	40.0	558	4.6
Education	5,397	17.2	165	3.2
Advanced Education & Technology	2,651	8.4	88	3.4
Seniors and Community Supports	1,923	6.1	154	8.7
Other ministries	8,917	28.3	376	4.4
Total Ministry Operating Expense	**31,459**	**100**	**1,341**	
Value review savings	(215)		(215)	
Total Operating Expense	**31,244**		**1,126**	**3.7**

[a] Excludes debt servicing costs, capital grants, disaster/emergency assistance, natural gas rebates, amortization, consumption of inventories and nominal sum disposals.

The government will continue to provide needed funding to major program areas. In 2009-10, subject to the value review:

- **Health and Wellness** receives a 4.6% or $558 million increase. This represents about 42% of the total increase in operating expense. The Alberta Health Services operating grant is increasing to $7.7 billion, and includes funding for emergency medical services.
- **Education** funding is increasing by 3.2%, reflecting the agreement reached with teachers on salaries, provincial student enrolment growth of 0.6% and an increase for the class size initiative.
- **Advanced Education and Technology** receives a 3.4% overall increase, with base operating grants to post-secondary institutions increased by 6%.
- **Seniors and Community Supports** funding is increasing by 8.7%. Effective April 1, 2009, the AISH maximum monthly income benefit is increasing by $100, and, with caseload growth, program funding is increasing by $65 million, or 10.2%. The Supports to Persons with Developmental Disabilities program receives a 5.8% increase. Seniors programs are increasing by 11.9%, primarily due to maximum monthly rate increases for the Alberta Seniors Benefit.
- These four ministries account for over 70% of total operating expense.

Health and Wellness receives about 42% of the total increase in operating expense.

Other program areas are receiving an overall increase of 4.4% in 2009-10, subject to the value review. This reaffirms government's commitment to stay focused on key initiatives such as:

Government maintains commitment to key initiatives.

- **Safe Communities.** $156 million per year will provide for hiring 300 new front-line police officers, additional Crown Prosecutors, enhanced addiction prevention programs and additional treatment capabilities.
- **Child Care.** Children and Youth Services operating expense is increased by 4.2% to support additional child care spaces, funding for child intervention services and foster care.

- **Workforce Initiatives.** In response to the economic downturn, *Budget 2009* places greater emphasis on employment and training programs, with funding increased to $164 million in 2009-10. Immigration programs are also increasing 13.6%, to $78 million in 2009-10, with more nominees expected under the Alberta Immigrant Nominee Program.
- **Energy and Environment.** Developing energy resources in an environmentally sound manner is a key priority for the government. Strategies include the *Provincial Energy Strategy, Land-use Framework* and *A Plan for Alberta's Oil Sands*. 2009-10 operating expense includes $55 million for biofuel initiatives, $15 million for the Land-use Secretariat and $20 million to encourage conservation and energy efficiency. This is in addition to significant capital support.
- **Affordable Housing and Homelessness Initiatives.** In 2009-10, $103 million is being provided for affordable housing and rent supplement programs, and $107 million for homelessness initiatives, including support for the implementation of Alberta's 10-year plan to end homelessness. This is in addition to significant capital support.

2009-10 Operating Expense[a]

(millions of dollars)

	2009-10 Estimate	Change from 2008-09 Forecast $	%	Main Reason for Change
Legislative Assembly	94	5	5.6	Increased legislative committee activity, manpower increases
Aboriginal Relations	150	(1)	(0.7)	Resource consultation and traditional use studies
Advanced Education and Technology	2,651	88	3.4	Increases in base operating grants to post-secondary institutions
Agriculture and Rural Development	1,083	39	3.7	Livestock and Meat Agency, Cattle Price Insurance program
Children and Youth Services	1,124	45	4.2	Child Care, Child Intervention, Foster Care, Children with Disabilities
Culture and Community Spirit	262	(15)	(5.4)	One-time increase in film development in 2008-09
Education	5,397	165	3.2	Increased support to school boards
Employment and Immigration	1,007	39	4.0	Immigration, Workforce Partnerships, Community Development Trust
Energy	381	(3)	(0.8)	Transfer and various reductions, offset by well reclamation increase
Environment	213	2	0.9	Groundwater management
Executive Council	36	6	20.0	Branding Initiative, Premier's Council for Economic Strategy
Finance and Enterprise	1,269	178	16.3	Alberta Investment Management Corp., Teachers' Pension Plan
Health and Wellness	12,571	558	4.6	Alberta Health Services, Physician Services
Housing and Urban Affairs	233	(38)	(14.0)	Homeless and Eviction Prevention Fund
Infrastructure	418	8	2.0	Leases and Property Operations
International and Intergovernmental Relations	26	(2)	(7.1)	Reduction in supplies and services
Justice	478	32	7.2	Safe Communities Initiatives, Court Resources, Medical Examiner
Municipal Affairs	235	12	5.4	Library Grants and Municipal Sustainability Initiative
Seniors and Community Supports	1,923	154	8.7	Increases for AISH and Alberta Seniors Benefits
Service Alberta	257	-	-	
Solicitor General and Public Security	624	43	7.4	Safe Communities Initiatives, Policing and Correctional Services
Sustainable Resource Development	316	12	3.9	Land-use Framework, Forestry Initiatives
Tourism, Parks and Recreation	170	9	5.6	2010 Olympics and Paralympics, Tourism related initiatives
Transportation	491	6	1.2	Provincial Highway Maintenance
Treasury Board	50	(1)	(2.0)	Reduction in supplies and services
Value review savings	(215)	(215)	-	
Total Operating Expense	31,244	1,126	3.7	

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[a] Excludes debt servicing costs, capital grants and other capital support, disaster/emergency assistance, natural gas rebates, amortization of capital assets, consumption of inventories and nominal sum disposals.

CAPITAL SPENDING

The 2009-12 Capital Plan will support $23.2 billion in capital projects. This is an increase of 4.5%, or $1 billion, from the 2008-11 Capital Plan published in *Budget 2008*.

> *Continued strong support for public infrastructure is an effective way to support the economy and jobs during these difficult times.*

Comparison of 2008-11 and 2009-12 Capital Plans
(millions of dollars)

	2008-11 Budget 2008	**2009-12** Budget 2009	Change
Health, schools, post-secondary facilities	6,477	5,844	(633)
Provincial highway network	5,349	5,806	457
Municipal infrastructure support	4,997	5,618	621
Other capital expense	4,532	5,306	774
Unallocated provision	803	580	(223)
Total Capital Spending	**22,158**	**23,154**	**996**

CAPITAL PRIORITIES

The government recognizes that continued strong support for building roads, schools, hospitals and other public infrastructure is not only necessary to meet Alberta's future economic and population growth needs, but is also an effective way to support the economy and jobs during these difficult times.

While capital spending of $7.2 billion in 2009-10 is less than the $7.9 billion forecast for 2008-09, capital spending of $8 billion a year is planned for 2010-11 and 2011-12.

Health, Schools, and Post-Secondary Facilities – $5.8 billion over the next three years:

- $2.9 billion for new, renovated or expanded health facilities, maintenance and renewal, and health information systems;
- $1.7 billion for new schools, modernization projects and maintenance and renewal;
- $1.2 billion for new, renovated or expanded post-secondary facilities and maintenance and renewal.

Provincial Highway Network – $5.8 billion over the next three years:

- continue construction of Edmonton and Calgary ring roads;
- continue improvements to Highway 63 to Fort McMurray;
- replace the Highway 22 bridge over the North Saskatchewan River;
- continue paving and rehabilitation work across the province.

Municipal Infrastructure Support – $5.6 billion over the next three years:

- $3.2 billion under the Municipal Sustainability Initiative and Alberta Municipal Infrastructure Program, for core infrastructure;
- $1 billion in transportation grants;
- nearly $800 million through the federal Gas Tax Fund, Building Canada Communities and Canada-Alberta Municipal Rural Infrastructure Fund;
- nearly $600 million for GreenTRIP public transit and other projects.

Other Capital Expense – $5.3 billion over the next three years:

- **Environment Projects.** $1.1 billion for carbon capture and storage, and projects funded through the Climate Change and Emissions Management Fund and Canada ecoTrust for Clean Air and Climate Change.
- **Housing.** $1 billion for additional affordable housing and supportive living units, and for implementing Alberta's 10-year plan to end homelessness.
- **Water and Wastewater Projects.** $715 million for municipal and regional water and waste water projects, irrigation rehabilitation and other water infrastructure.
- **Community Facilities.** $260 million for community facilities, including the Community Facility Enhancement Program, the Royal Alberta Museum project and ongoing maintenance and upgrades to provincial parks, museums and historic sites.
- **Other Projects.** $2.2 billion, including replacement of the Edmonton Remand Centre, retrofitting the Federal Building, information management and technology, adding new child care spaces and maintenance and renewal of government facilities.

Unallocated Provision – $580 million has been set aside over the next three years, mainly to provide flexibility to meet unanticipated capital pressures and federal government economic stimulus transfers that require provincial matching funds.

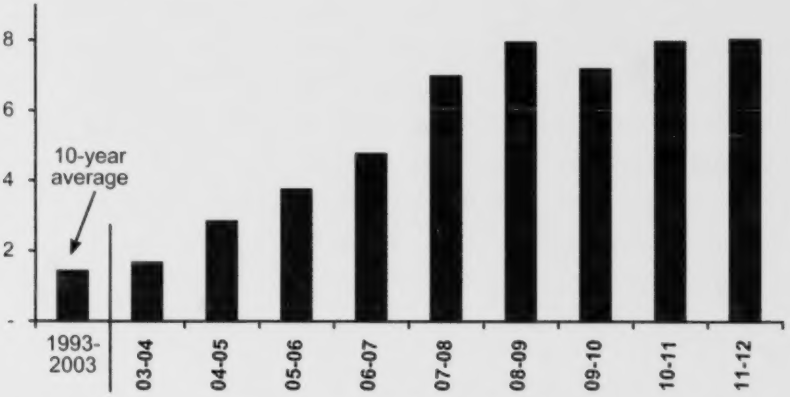
ALBERTA'S COMMITMENT TO CAPITAL

2009-10 capital support is $7.2 billion, and will average $8 billion per year over the following two years.

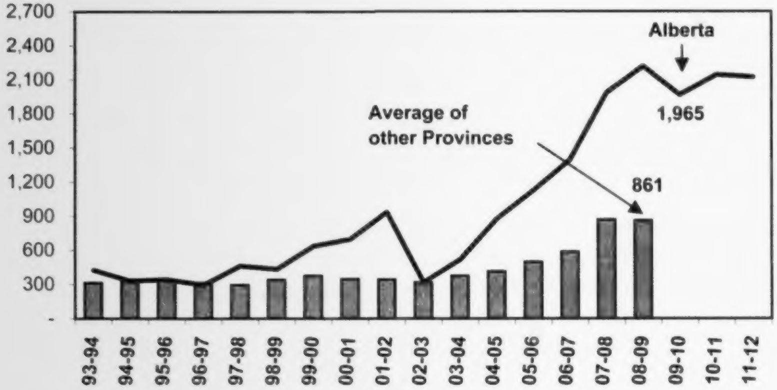
Alberta's capital spending has increased steadily since 2003. In the ten years prior to 2003-04, average capital support was about $1.4 billion per year. In 2008-09, it reached $7.9 billion, and while 2009-10 capital support will drop to $7.2 billion, over the following two years capital support will average $8 billion per year.

Alberta's per capita infrastructure support is more than double the average of other provinces. Other provinces' average spending has been about $861 per capita, and Alberta's will be about $1,965 in 2009-10.

Capital Plan Support from 1993-94 to 2011-12
(billions of dollars)



Interprovincial Comparison of Capital Expenditure
(dollars per capita)



Source: Dominion Bond Rating Service Limited, *The 2007 Canadian Federal and Provincial Governments Overview: Still on Solid Ground, October 2007*. Information for 2008-09 are estimates only. Alberta data for 2008-12 has been updated by Alberta Finance and Enterprise.

Alberta's per capita infrastructure support is more than double the average of other provinces.

ALBERTA SAVINGS AND FISCAL MANAGEMENT

The Alberta government's fiscal situation has changed remarkably over the last 15 years. In 1993-94, accumulated debt stood at $22.7 billion, requiring debt servicing costs of $1.7 billion per year. This significant debt meant that even though the government had assets in the Heritage Fund, the Alberta government owed more than it owned.

The Alberta government's fiscal situation has changed remarkably over the last 15 years.

The net financial position had deteriorated to a negative $8.3 billion in 1993-94. This was the difference between financial assets and financial liabilities, excluding pension obligations. It also excluded the government's non-financial capital assets of $8.2 billion.

The deficits of the 1980s and early 1990s that produced the accumulated debt were eliminated in 1994-95. The accumulated debt was paid down by 2004-05. Debt servicing costs were $215 million in 2008-09, which means about $1.5 billion annually has been freed up for programs, services, capital spending and tax reductions.

By 2008-09, the government is forecast to have net financial assets of $36 billion. This is an improvement of over $44 billion from the negative $8.3 billion in 1993-94. About half of this is from the elimination of accumulated debt. The other half represents savings and increases in various other financial assets. The improvement would be even greater had the Heritage Fund and endowment funds not lost approximately $3 billion in value in 2008-09.

By 2008-09, the government is forecast to have net financial assets of $36 billion. This is an improvement of over $44 billion from the negative $8.3 billion in 1993-94.

The government has been able to set aside approximately $25 billion in savings in various funds and accounts, primarily since 2003. This includes about $8 billion in deposits and inflation-proofing of the Heritage Fund, deposits to other endowments and funds, and the $17 billion in the expanded Sustainability Fund. In addition, the government's capital assets have grown to $16 billion.

The improvement to the government's net financial position of $44 billion is equivalent to almost 40% of the $115 billion in non-renewable resource revenue reported since 1993-94.

Alberta's net financial position
(billions of dollars)

	1993-94 (Actual)	2008-09 (Forecast)	Improvement
Net financial assets (liabilities)	(8.3)	36.0	44.3
Accumulated debt	(22.7)	-	22.7
Debt servicing costs	(1.7)	(0.2)	1.5
Capital assets	8.2	16.1	7.9

ALBERTA'S FISCAL FRAMEWORK

The fiscal framework is essentially the rules and limitations the government places on itself for budgeting purposes.

Alberta has had a legislated fiscal framework since 1993. The fiscal framework is essentially the rules and limitations the government places on itself for budgeting purposes. A fundamental purpose for the fiscal framework is to manage risk associated with Alberta's unique revenue volatility.

The framework has changed numerous times since 1993, reflecting the improving fiscal situation and other developments. Initially it was focused on eliminating the deficit *(Deficit Elimination Act, 1993)*, and then on debt reduction *(Balanced Budget and Debt Retirement Act, 1995)*. The framework was revised again in 1999, in the *Fiscal Responsibility Act* (FRA). The FRA was substantially amended in 2003, based on the recommendations of the Financial Management Commission.

All of the frameworks had similar basic elements:

- Balanced budget requirements.
- Prohibitions on debt, especially for operating purposes.
- Mechanisms to deal with revenue volatility. Examples include: budgeting based on 90% of forecast resource and corporate income tax revenue; using only $5.3 billion in resource revenue for budget purposes; establishing the Sustainability Fund.
- Requiring an economic cushion or contingency allowance to be set aside.
- Limiting use of in-year increases to budgeted revenue.
- In-year limitations on spending increases.

The economic and fiscal situation in 2009-10 necessitates changes to the framework. The framework in place in 2008-09 was mainly intended to provide limitations during times of revenue growth. It provided relief from the limitations when events occurred during the year, such as emergencies and disasters, or when revenue declined from budget. The framework had become complex, requiring intricate transfers between funds, and less transparent.

The new *Fiscal Responsibility Act* (FRA) provides for a much simpler fiscal framework. It still contains limitations. But it enhances flexibility needed at this time.

A number of the basic elements of past fiscal frameworks remain:

Deficits. Deficits are only permitted under the new FRA if funds are available in the Sustainability Fund to offset them.

Debt. The new FRA maintains the requirement that the debt retirement account has to be equal to or greater than any accumulated debt, as defined. This, in combination with the requirement that deficits are only permitted if they can be funded from the Sustainability Fund, means the government is not permitted to borrow for operating purposes. The government can borrow only:

- for capital investment in government-owned assets;
- to support capital projects that are owned by school boards, post-secondary institutions and health authorities;
- as required by self-supporting corporations such as Agriculture Financial Services Corporation, Alberta Treasury Branches and Alberta Capital Finance Authority;
- to pay back funds owed by the pre-1992 Teachers' Pension Plan to the post-1992 Teachers' Pension Plan.

The new Fiscal Responsibility Act *provides for a much simpler fiscal framework while maintaining a number of the basic elements of past fiscal frameworks.*

Sustainability Fund. The Sustainability Fund is being expanded to include the assets of the former Capital Account, and the amounts set aside from year-end 2008-09 results for carbon capture and storage and GreenTRIP. Commitments to spending on carbon capture and GreenTRIP are not affected by this change.

The Sustainability Fund can be used to offset deficits. It remains the government's primary fiscal risk management mechanism. When the fiscal situation improves, as forecast for 2012-13, cash available from surpluses will be saved in the Sustainability Fund until its balance reaches $10 billion again. This is essentially the first plank in the Province's savings strategy.

Controls on in-year operating expense increases. Increases in operating expense during the year are limited to 1% of total ministry operating expense as contained in the consolidated fiscal plan. For 2009-10, this amount is $315 million, very close to the size of the previous contingency allowance.

This is the maximum amount that operating expense can increase in-year. Expense increases where there is associated dedicated revenue, or for the costs of emergencies, disasters, natural gas rebates or settlements with First Nations continue to be excluded from this limitation.

Non-renewable resource revenue. The limitation on the amount of non-renewable resource revenue that can be directly used for budget purposes is eliminated.

Financial reporting standards. The FRA rules concern budget limitations. The year-end Annual Report will continue to report in accordance with Canadian generally accepted accounting principles for the public sector. The main differences are:

- **Pension liabilities.** The FRA will continue to exclude the change in unfunded pension liabilities of the government of Alberta from expense. The Annual Report will report any increases in pension liabilities as an expense.

- **SUCH Sector.** Similarly, the FRA rules do not account for the inclusion of Crown-controlled SUCH sector entities (school boards, universities, colleges and health authorities) into the government reporting entity. The Annual Report currently reports the change in equity of the SUCH sector as a single revenue item ("modified equity" basis). Public sector accounting standards will require reporting the SUCH sector on a "line-by-line" basis next year, meaning SUCH entities' revenue and expense will be included as part of the government's revenue and expense in the Annual Report.

RISKS

Over the last five years energy prices, equity markets and exchange rates have experienced dramatic changes.

Over the last five years, more than 35% of Alberta's revenue has been directly tied to volatile sources, affected by variables such as energy prices, equity markets and exchange rates. During this period, these factors have experienced dramatic changes:

- **Oil prices** climbed from the US$30 per barrel range in 2003-04 to US$147 in July 2008, before dropping rapidly to US$34 by December 2008.
- **Natural gas prices** were also volatile, peaking at Cdn$8.29/GJ in 2005-06, before falling to averages of below Cdn$6/GJ over the next two years. Prices rose rapidly in the first half of 2008-09, before falling again. They are forecast to average Cdn$7/GJ for 2008-09.
- **The Canadian dollar** fluctuated significantly, rapidly appreciating against the US dollar, increasing from 74 cents in 2003-04 to peaks of over $1 in 2007-08. In 2008-09, the Canadian dollar depreciated significantly, dropping to about US 80 cents by March 2009.
- **Equity markets** have deteriorated significantly. Since the beginning of 2008, Canada's TSX Composite has lost nearly 40% while the S&P 500 in the United States has dropped almost 50%.

These developments were not fully discernable when budget revenue forecasts were prepared (either internally by the government or by most external forecasters) and have resulted in deviations from the budgeted revenue by as much as, for example, 30% in 2005-06.

For the last three years, the budget revenue estimates have been more accurate. Although forecast 2008-09 revenue is only about 8% different from the original budget estimate, there were large in-year fluctuations. The *2008-09 First Quarter Fiscal Update* forecast revenue about 21% higher than the budget estimate. However, the global recession and the resulting decline in equity and commodity markets significantly impacted revenue. The *2008-09 Third Quarter Fiscal Update* now forecasts revenue will be about 8% lower than the budget estimate.

The high degree of revenue uncertainty places the Alberta government in a unique position in comparison to other governments.

This high degree of revenue uncertainty places the Alberta government in a unique position in comparison to other governments. Like energy companies, banks and other investors, Alberta must assess the degree of risk it is willing to take associated with its revenue outlook and spending decisions.

This uncertainty has been greater in recent years, and is now mainly tied to the duration and depth of the US and global recession. The higher revenue sensitivity under the new royalty structure adds further uncertainty. Revenue in 2009-10 could be as much as 20–25% higher or lower than estimated, depending on energy prices, exchange rates, economic growth and equity markets.

> *The uncertainty has been greater in recent years, and is now mainly tied to the duration and depth of the US and global recession.*

GLOBAL ECONOMY

- *Budget 2009* assumes that the global recession will impact 2009 Canadian economic growth, which is expected to contract by 2%. Global economic recovery is expected by 2010, based on financial markets stabilizing. The timing and strength of the US and global recovery remains highly uncertain.
- A prolonged and deeper global recession would negatively affect Alberta's revenue through equity investments, energy prices, exchange rates and interest rates. A quicker global recovery would have a positive impact.

ALBERTA ECONOMY

- *Budget 2009* assumes Alberta's economy will contract by 2% in 2009, mainly due to the sharp decline in energy prices, tight credit markets and lower business investment.
- The global recovery expected in 2010, based on resolution of the financial market crisis, will increase global demand and boost commodity prices. This will lead to economic growth of 1.8% for Alberta in 2010.

> Budget 2009 *assumes Alberta's economy will contract by 2% in 2009 before experiencing economic growth of 1.8% in 2010.*

ENERGY PRICES

- Energy prices remain highly uncertain. Oil prices reached record levels in July 2008 at US$147 per barrel, before plunging sharply to US$34 in December 2008. Oil prices are closely linked to global economic conditions. As the timing and strength of the global recovery remains highly uncertain, it is difficult to assess what the price of oil will be over the next three years.
- The new royalty framework implemented January 1, 2009 is more price sensitive. As a result, changes in energy prices and exchange rates have a bigger impact on government revenue.

> *The timing and strength of the global recovery remains highly uncertain.*

EXCHANGE RATE

- A stronger-than-expected Canadian dollar could negatively affect exports and economic growth. A higher dollar also reduces the net revenue of energy producers, which could dampen energy investment.
- A higher Canadian dollar also lowers government resource revenue as energy prices as contracts are mainly based on the U.S. dollar.

INVESTMENT INCOME

- Alberta has significant financial assets invested in a variety of financial instruments. Changes in global economic conditions and financial markets, interest rates, exchange rates and other factors affect the rate of return on these investments.

SUSTAINABILITY FUND

The Alberta government has set aside almost $17 billion in the Sustainability Fund to help protect the fiscal plan.

- The Alberta government has set aside almost $17 billion to help protect the fiscal plan against revenue risks and emergencies and disasters. The Fund will be used to offset deficits forecast for the next three years.

Sensitivities to Fiscal Year Assumptions[a]

	Change	Net Impact ($ millions) 2009-10
Oil Price (WTI US$/bbl)	-$1.00	-143
Natural Gas Price (Cdn$/GJ)	-10 cents	-126
Exchange Rate (USc/Cdn$)	+1 cent	-221
Interest Rates	+1%	-212
Equity Market Value	-1%	-69
Personal Income	-1%	-127
Corporate Taxable Income	-1%	-16

[a] Sensitivities are based on current assumptions of prices, rates and production levels and show the effect for a full 12 month period. Sensitivities can vary significantly at different price and rate levels.

SPENDING PLAN

BUDGET2009

BUILDING ON
OUR STRENGTH

TABLE OF CONTENTS

SPENDING PLAN

Highlights 29
Provincial Energy Strategy 29
Land-use Framework 30
A Plan for Alberta's Oil Sands. 30
Climate Change Strategy 30
Other Environmental Initiatives. 31
Ministry of Health and Wellness 32
Continuing Care Strategy. 33
Safe Communities Initiatives 34
Homelessness Initiatives / Affordable Housing Programs 35
Benefits and Other Supports to Albertans in Need 35
Services for Children, Youth and Families. 36
Other Initiatives. 37
Ministry of Education 37
Ministry of Advanced Education and Technology 39
Workforce Initiatives 40
Support for Agriculture 40
Other Value-added Initiatives. 41
Provincial Highway Network 41
Capital Support to Municipalities 42
Water and Wastewater Management. 42

BUDGET 2009 SPENDING PLAN

HIGHLIGHTS

- Over $12.9 billion in program expense in 2009-10 for Health and Wellness.
- Nearly $6.2 billion in program expense in 2009-10 for Education and over $3.1 billion for Advanced Education and Technology.
- Over $709 million in 2009-10 for the Assured Income for the Severely Handicapped Program (AISH). Maximum monthly income benefits under AISH increase by $100 to $1,188 effective April 1, 2009.
- $100 million in 2009-10 and $800 million over three years to support carbon capture and storage projects.
- $100 million in capital and $107 million in operating support in 2009-10 as implementation of the ten-year plan to end homelessness in Alberta begins.

The *Budget 2009* spending plan reflects the government's commitment to address the five priorities of the strategic business plan:

The Budget 2009 Spending Plan supports government's five priorities.

- **Resourceful. Responsible** – Ensure Alberta's energy resources are developed in an environmentally sustainable way.
- **Healthy Approach** – Increase access to quality health care and improve the efficiency and effectiveness of health care service delivery.
- **Strong Communities** – Promote strong and vibrant communities and reduce crime so Albertans feel safe.
- **Creating Opportunity** – Enhance value-added activity, increase innovation, and build a skilled workforce to improve the long-run sustainability of Alberta's economy.
- **Building Tomorrow** – provide the roads, schools, hospitals and other public infrastructure to meet the needs of a growing economy and population.

PRIORITY: *Ensure Alberta's energy resources are developed in an environmentally sustainable way*

Key initiatives in *Budget 2009* that address this priority include:

- The *Provincial Energy Strategy* outlines a long-term action plan for Alberta to achieve clean energy production.
- The *Land-use Framework* has been finalized and the first of seven regional land-use plans under the Framework will be completed in 2009-10.
- Implementation of the provincial climate change strategy continues, with significant investments planned to support carbon capture and storage and public transit projects.
- A comprehensive, long-term strategic plan for oil sands development – *Responsible Actions: A Plan for Alberta's Oil Sands* – has been completed.

PROVINCIAL ENERGY STRATEGY

The *Provincial Energy Strategy* includes actions to address the environmental footprint of energy and encourage the development of renewable energy.

$55 million for biofuel initiatives in both 2009-10 and 2010-11.

The province has provided significant support for the development of renewable energy through biofuel initiatives such as the Bio-Refining Commercialization and Market Development Program, leading to more than $850 million in additional private investment in renewable energy projects. In *Budget 2009*, $55 million is budgeted in both 2009-10 and 2010-11 for biofuel initiatives.

LAND-USE FRAMEWORK

The provincial *Land-use Framework* sets out an approach to manage public and private lands and natural resources to achieve Alberta's long-term environmental, economic and social goals. The Lower Athabasca Region Land-use Plan, the first of seven regional plans to be developed under the Framework, will be completed in 2009-10. Supporting the Framework, funding for the Land-use Secretariat will more than double in 2009-10 to $15 million.

A PLAN FOR ALBERTA'S OIL SANDS

Responsible Actions: A Plan for Alberta's Oil Sands was released in February 2009. This comprehensive 20-year strategic plan for Alberta's oil sands aims to reduce the environmental footprint, optimize economic growth, and increase the quality of life in Alberta's oil sands regions.

This plan calls for timely investment in infrastructure in the oil sands regions. *Budget 2009* addresses this with funding including $380 million over two years for infrastructure within the urban services area of Fort McMurray, providing a new bridge over the Athabasca River, and new interchanges at Thickwood Boulevard and Confederation Way.

CLIMATE CHANGE STRATEGY

Alberta's *Climate Change Strategy* focuses on taking action in three key areas: implementing carbon capture and storage (CCS), conserving and using energy efficiently, and greening energy production.

Two significant enhancements to the *Climate Change Strategy* were announced in July 2008, as a total of $4 billion was committed to support CCS demonstration projects and public transit projects under the Green Transit Incentives Program, or GreenTRIP. As reported in the *2008-09 Third Quarter Fiscal Update*, the government is forecasting that $2 billion will be set aside for CCS and $195 million for GreenTRIP. These amounts, if realized based on year end results, will be included in the Alberta Sustainability Fund. Regardless of the amounts included in the Fund, the province is committed to provide $2 billion in support of large-scale CCS projects and $2 billion for public transit under GreenTRIP.

$100 million in 2009-10 and $800 million over three years for carbon capture and storage projects.

Carbon Capture and Storage (CCS). *Budget 2009* includes $100 million in 2009-10 and $800 million over three years for CCS projects. With the potential to reduce emissions at facilities such as coal-fired electricity plants and oil sands extraction sites and upgraders, the projects are expected to reduce greenhouse gas (GHG) emissions by up to five million tonnes annually by 2015.

GreenTRIP. *Budget 2009* includes $10 million in 2009-10, and $520 million over three years for GreenTRIP. This will support projects to improve and expand local, regional, and inter-city public transit systems. These projects are expected to significantly reduce the number of vehicles on Alberta roads and help to reduce GHG emissions.

Climate Change and Emissions Management Fund (CCEMF). In 2009-10, $95 million in payments from industry to the CCEMF are expected. This funding will be used to support projects with a focus on testing and implementing new clean energy technologies.

Canada ecoTrust for Clean Air and Climate Change. Due to project delays in 2008-09, provincial spending under the three-year, $52 million per year federal commitment for ecoTrust initiatives will begin in 2009-10. Funding will support applied research, technology development, and demonstration projects. The focus will be on areas that have a strong potential to reduce GHG emissions.

Energy Efficiency. To complete a three-year, $60 million commitment from *Budget 2008*, $20 million is budgeted in both 2009-10 and 2010-11 for initiatives to encourage conservation and energy efficiency by consumers and businesses.

OTHER ENVIRONMENTAL INITIATIVES

Energy Incentive Program. A one-time allocation of $30 million is budgeted in 2009-10 to support abandoning and reclaiming old well sites. This funding is in addition to the Orphan Well Abandonment Program, funded by industry through the Energy Resources Conservation Board, which will continue at $13 million per year.

One-time, $30 million allocation in 2009-10 to support abandoning and reclaiming old well sites.

Water for Life. In 2009-10, $100 million in capital support and over $22 million in operating support will be provided to continue implementation of Alberta's *Water for Life* strategy. Operating support includes funding to continue the expanded groundwater mapping program which began in 2008-09.

PRIORITY: *Increase access to quality health care and improve the efficiency and effectiveness of health care service delivery*

Key initiatives in *Budget 2009* that address this priority include:

- Alberta Health Services replaced the nine regional health authorities, Alberta Cancer Board, Alberta Mental Health Board and the Alberta Alcohol and Drug Abuse Commission effective April 1, 2009.
- A new model for the governance and administration of emergency medical services has been implemented effective April 1, 2009.
- The *Pharmaceutical Strategy* will redesign drug coverage for seniors. When it is implemented on January 1, 2010, it will lower or completely eliminate prescription drug costs for about 60% of seniors.
- Quality, supply and client choice in the continuing care system will be improved.
- *Vision 2020* will optimize health service delivery by increasing efficiency, improving access and guiding capital planning.

MINISTRY OF HEALTH AND WELLNESS

Over $12.9 billion in program expense for the Ministry of Health and Wellness in 2009-10.

In 2009-10, Health and Wellness program expense is budgeted at over $12.9 billion. This includes:

- $12.6 billion in operating expense, an increase of $558 million, or 4.6%.
- $288 million in capital support, including $84 million for capital maintenance and renewal.

Alberta Health Services. The operating grant to Alberta Health Services is budgeted at over $7.7 billion in 2009-10, an increase of 7.7% (excluding one-time assistance provided in 2008-09). This operating grant includes funding for emergency medical services.

Physician Services. A new financial agreement between government, the Alberta Medical Association and Alberta Health Services was finalized in 2008-09. In 2009-10, $3 billion is budgeted for physician services, an increase of $365 million, or 13.8% from 2008-09. The new agreement includes increases of $65 million for primary care and $31 million for physician office systems. Another $40 million increase is provided outside the agreement for academic alternate relationship plans.

Supplementary Health Benefits. Assistance for prescription drugs, ambulance services and other health benefits is available to Albertans. In 2009-10, $768 million is budgeted for these benefits, an increase of $72 million or 10.3%. Most of the funding for this program is to provide prescription drug benefits for seniors. Premiums for non-group coverage will be adjusted to reflect rates comparable to those of employer and private plans. This premium increase will be phased in over two years, beginning in July 2009.

Other Health Services. Over $1 billion is budgeted in 2009-10 for a variety of services, including allied health services, vaccination programs, tissue and blood services, and air ambulance. Notable 2009-10 budget changes are:

- **Cancer Therapy Drugs.** An increase of nearly $16 million, or 20%, is budgeted to address the growth in program demand.
- **Chiropractic Services.** Provincial assistance of up to $200 per year for chiropractic visits and x-rays is being eliminated.

Nearly $3 billion in health capital support.

Health Capital. Nearly $3 billion in capital support to Alberta Health Services and investment in government-owned capital is planned over the next three years, including $369 million in 2009-10. Capital support will be lower in 2009-10 than in the following years, as capital cash reserves held by Alberta Health Services are drawn down this year. The three-year funding will provide:

- $2.6 billion for facilities and equipment, including $268 million for capital maintenance and renewal;
- $238 million for health information systems, and
- $118 million for the purchase of vaccines.

This includes $40 million budgeted in the Ministry of Infrastructure to construct additional government-owned addiction treatment facilities.

Ministry of Health and Wellness
(millions of dollars)

	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target
Operating Expense				
Health Authority Services – Ongoing	7,164	7,714	8,139	8,631
Health Authority Services – One-Time	297	-	-	-
Physician Services	2,636	3,001	3,221	3,231
Supplementary Health Benefits	696	768	817	878
Other Health Services	1,220	1,088	1,125	1,351
Total Operating Expense	**12,013**	**12,571**	**13,302**	**14,091**
Capital Grants	898	288	1,157	1,258
Amortization [a]	67	76	74	64
Total Program Expense	**12,978**	**12,935**	**14,533**	**15,413**
Operating Expense increase (%)		4.6	5.8	5.9
Program Expense change (%)		(0.3)	12.4	6.1
Capital Investment	81	74	72	62

[a] Includes consumption of inventories (vaccines).

CONTINUING CARE STRATEGY

A new *Continuing Care Strategy – Aging in the Right Place*, will improve health and personal care service options for seniors and persons with disabilities by enhancing supports to help them live within the community. The strategy is based on upgrading or replacing 7,000 long-term care beds by 2015. Other initiatives under the strategy include enhancing home care through improved assessments, increasing daily personal care hours, and introducing emergency support programs to identify interim care and accommodations options.

In 2009-10, nearly $41 million is budgeted in Health and Wellness to support implementation of the strategy.

Affordable Supportive Living. A key component of the *Continuing Care Strategy* is to increase the supply of affordable supportive living units for low-income seniors and persons with disabilities. The 2009-12 Capital Plan includes $50 million in 2009-10 to support the addition of 450 units. A total of $150 million will be provided over three years to add over 1,200 units across the province.

$150 million will be provided over three years to add over 1,200 affordable supportive living units.

PRIORITY: *Promote strong and vibrant communities and reduce crime so Albertans feel safe*

Key initiatives in *Budget 2009* that address this priority include:

- Safe communities initiatives are implemented.
- Implementation of the 10-year plan to end homelessness in Alberta begins.
- Benefits and other supports for Albertans in need are provided, through programs such as Assured Income for the Severely Handicapped (AISH) and the Alberta Seniors Benefit, among other seniors programs.
- Maximum monthly income benefits to AISH recipients increase by $100 on April 1, 2009.
- Supports for children, youth and families are enhanced. The commitment to add 14,000 new child care spaces by 2011 will be fulfilled.

SAFE COMMUNITIES INITIATIVES

Safe Communities initiatives are a key priority of government. During 2008-09 the Safe Communities Secretariat in the Ministry of Justice finalized a comprehensive, cross-ministry plan supporting initiatives to address enforcement, prevention and treatment issues, including:

100 front-line police officers will be added in 2009-10.

- **Enforcement.** Another 100 front-line police officers will be added in 2009-10 as part of the commitment to add 300 new officers over three years, additional Crown Prosecutors and Provincial Court resources will be provided, and the Safe Communities and Neighbourhoods Program will be implemented.
- **Prevention.** Access to addiction prevention programs will be enhanced, more comprehensive bail hearing and sentencing information will be provided, services for the families of at-risk children will increase, and support will be provided for the Pathways to Housing program in Calgary.
- **Treatment.** Additional mental health beds will be provided, supervision of people on probation will increase, and funding to support longer stays at residential treatment centres will be provided.

Program expense for these initiatives is budgeted at $156 million annually. Another $40 million is included in the 2009-12 Capital Plan to build additional government-owned addiction treatment facilities.

Safe Communities – Program Expense
(millions of dollars)

Ministry	2009-10 Estimate	2010-11 Target	2011-12 Target
Aboriginal Relations	1	1	1
Children and Youth Services	3	3	3
Culture and Community Spirit	1	1	1
Health and Wellness	52	42	42
Housing and Urban Affairs	2	2	2
Justice	58	55	55
Solicitor General and Public Security	39	52	52
Totals	**156**	**156**	**156**

HOMELESSNESS INITIATIVES / AFFORDABLE HOUSING PROGRAMS

Homelessness Initiatives. With *Budget 2009*, implementation of the 10-year plan to end homelessness in Alberta begins. The 2009-12 Capital Plan includes $100 million in 2009-10, and $400 million over three years to support development of about 2,700 housing units for the homeless. Another $107 million in operating support is budgeted in 2009-10. This includes nearly $41 million to support over 3,600 spaces in emergency/transitional shelters, and $32 million to provide outreach support services to about 1,000 homeless Albertans this year.

Implementation of the 10-year plan to end homelessness in Alberta begins in 2009-10.

Affordable Housing Programs. The province remains committed to develop 11,000 new affordable housing units. The 2009-12 Capital Plan includes $178 million in 2009-10, and $468 million over three years for affordable housing. Operating support is budgeted at $103 million in 2009-10, including $56 million for the rent supplement program. This year, about 8,600 clients of the Homeless and Eviction Prevention Fund will be transitioned to the rent supplement program. This will help manage costs while meeting clients' needs for stable and affordable housing.

BENEFITS AND OTHER SUPPORTS TO ALBERTANS IN NEED

Assured Income for the Severely Handicapped (AISH). Effective April 1, the maximum monthly income benefit to AISH recipients increases by $100 to $1,188. This is in addition to the average monthly health benefit of $350. In 2009-10, over $709 million is budgeted for the program, an increase of $65 million, or 10.2%, providing for the rate increase and projected caseload growth. Since 2005-06, AISH funding has increased by over $220 million or 45% as benefits have been enhanced and caseloads increased.

The maximum monthly income benefit for AISH recipients increases by $100 on April 1.

Supports to Persons with Developmental Disabilities (PDD). For 2009-10, the budget increases by $33 million, or 5.8%, to nearly $604 million. This includes funding for an expected increase in the number of complex cases and projected caseload growth. This also includes over $24 million for staff recruitment and retention by contracted agencies providing PDD services. The Ministry of Seniors and Community Supports is working with the Community Boards to improve consistency, efficiency and effectiveness of PDD services.

Maximum monthly benefits under the Alberta Seniors Benefit program will increase by $40 for singles and $60 for couples.

Seniors Programs. Funding for the Alberta Seniors Benefit (ASB), Seniors Lodge Assistance, the Dental and Optical Assistance Program, and other seniors programs is budgeted at $456 million in 2009-10, an increase of $49 million or 11.9%. Most of this increase relates to the ASB, with maximum monthly benefits increasing by $40 for singles and $60 for couples. As well, income thresholds to determine ASB eligibility are increasing to $24,000 for singles and $39,000 for couples.

Income Supports and Health Benefits. Monthly benefits provided under the income support programs were increased November 1, 2008, enhancing benefits to over 46,000 households. Albertans receiving income support benefits also receive financial assistance for child care, children's school supplies and work clothes. In 2009-10, $361 million is budgeted for income supports.

Health benefits, including the Alberta Child Health Benefit (ACHB) and Alberta Adult Health Benefit (AAHB), cover supplementary health costs such as dental and eye care, ambulance services, prescriptions and prenatal nutritional products. Maximum qualifying income levels were increased in November, allowing families to earn more and remain eligible for the benefits. More than 87,000 children benefit from the ACHB program and over 5,000 households access AAHB. For 2009-10, $112 million is budgeted for health benefits.

SERVICES FOR CHILDREN, YOUTH AND FAMILIES

In 2009-10, program expense for the Ministry of Children and Youth Services is budgeted at $1.14 billion, an increase of $43 million, or 3.9%. The 2009-10 budget includes $11 million, allocated across many programs, to support staff recruitment and retention by contracted agencies that provide services to children, youth and families.

Commitment to add 14,000 new child care spaces by 2011 will be fulfilled.

Child Care. The 2009-10 budget is nearly $206 million. With continued operating support and $29 million in capital spending over the next two years, the province will fulfill its commitment to add 14,000 new child care spaces by 2011.

Child Intervention and Foster Care Support. The 2009-10 budget is $560 million, an increase of $24 million, or 4.5%, to alleviate demand pressures, declining availability of foster homes, and challenges in attracting and retaining staff in the agency sector.

Family Support for Children with Disabilities. Over $113 million is budgeted in 2009-10 for these programs, helping to address increased demand and build capacity so children with disabilities have an opportunity to develop to their potential.

Prevention of Family Violence and Bullying. The 2009-10 budget will be nearly $42 million. This includes Aboriginal and ethno-cultural family violence prevention programming, a Safe Communities initiative.

OTHER INITIATIVES

Operating Support to Municipalities. Municipalities will receive nearly $293 million in 2009-10 in direct operating support for services which help promote strong communities. This includes the Family and Community Support Services program, Municipal Sustainability Initiative operating support, municipal policing grants, and library services grants, among other programs.

$293 million in direct operating support to municipalities in 2009-10.

Traffic Safety Action Plan. The Ministry of Transportation is leading implementation of the Traffic Safety Action Plan, which is focused on education, enforcement, and communication to change driver attitudes and make them responsible for their actions. The Ministry of Solicitor General and Public Security will allocate nearly $13 million in 2009-10 to deploy traffic sheriffs for highway enforcement, education and awareness initiatives.

School Bus Safety. The ministries of Transportation and Education are working together to implement a 10-point action plan for improving school bus safety across the province, with over $7 million allocated between the two ministries in 2009-10. The plan will make flashing amber and red lights and strobe lights mandatory, require retrofitting buses with reflective tape, and develop consistent hiring criteria for school bus drivers.

A 10-point action plan for improving school bus safety is being implemented.

Workplace Health and Safety. Funding to improve workplace health and safety and ensure compliance with provincial employment standards will increase. In 2009-10, the budget for workplace health and safety programs will increase by more than $4 million, or 18.6%, to over $26 million. The budget for employment standards programs increases by over $1 million, or 13.3%, to nearly $11 million.

PRIORITY: *Enhance value-added activity, increase innovation, and build a skilled workforce to improve the long-run sustainability of Alberta's economy*

Key initiatives in *Budget 2009* that address this priority include:

- Funding to support operations of the basic education system increases.
- Significant support to the post-secondary education system is provided.
- Initiatives to build a skilled workforce will be enhanced.
- Work to address the challenges facing the agriculture sector continues.

MINISTRY OF EDUCATION

In 2009-10, Education program expense is budgeted at nearly $6.2 billion. This includes:

Nearly $6.2 billion in program expense for the Ministry of Education in 2009-10.

- $5.4 billion in operating support to school boards and other educational support, an increase of $165 million, or 3.2%.
- $760 million for school capital projects, including $252 million for capital maintenance and renewal.

Operating Support to School Boards. In 2009-10, total operating and property tax support to public and separate school boards is budgeted at more than $5.2 billion, an increase of $183 million, or 3.6%. With the planned increases, school boards will be able to provide for teachers' salaries, address projected provincial student enrolment growth of 0.63%, and address other cost increases in 2009-10.

Within this budget:

- $452 million is provided to operate and maintain schools.
- $222 million is provided for the Class Size Initiative – a $10 million increase. Since 2004-05, government has invested $951 million to reduce class sizes, resulting in the hiring of 2,900 new teachers.
- $79 million is provided for the Alberta Initiative for School Improvement to support local projects that help improve student learning.
- $48 million is provided for the Student Health Services Initiative to increase access to specialized support services for students with special health needs.
- $226 million is provided for current service payments for teachers' pensions.

Another $356 million is budgeted in the Ministry of Finance and Enterprise in 2009-10 to provide for the costs of the pre-1992 teachers' pension liability.

Private Schools. Nearly $168 million is budgeted to support accredited private schools as well as private operators that provide Early Childhood Services programs for children as young as 2-1/2 years of age.

Nearly $1.7 billion in capital support to schools.

School Capital. Nearly $1.7 billion in capital support to schools is being provided over three years, including $760 million in 2009-10. This will provide:

- $1.15 billion for school expansion and upgrading projects, and
- $528 million for capital maintenance and renewal.

Ministry of Education
(millions of dollars)

	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target
Operating Expense				
Support to school boards	5,056	5,239	5,327	5,416
Less: Property tax support to Opted-out boards	(181)	(190)	(194)	(198)
Accredited Private Schools	159	168	170	172
Other Initiatives/Program support	198	180	184	184
Total Operating Expense	**5,232**	**5,397**	**5,487**	**5,574**
Capital Grants	606	760	419	492
Amortization	1	1	1	1
Total Program Expense	**5,839**	**6,158**	**5,907**	**6,067**
Operating expense increase (%)		3.2	1.7	1.6
Program expense change (%)		5.5	(4.1)	2.7

MINISTRY OF ADVANCED EDUCATION AND TECHNOLOGY

Over $3.1 billion in program expense for the Ministry of Advanced Education and Technology in 2009-10.

In 2009-10, Advanced Education and Technology program expense is budgeted at over $3.1 billion. This includes:

- $2.65 billion in operating support, an increase of $88 million, or 3.4%.
- $484 million in capital support, including $121 million for capital maintenance and renewal.

Support for Adult Learning. In 2009-10, support for adult learning will increase by $124 million, or 6.1%, to over $2.1 billion. This increase is primarily to support a 6% increase in base operating grants to assist institutions in managing costs such as staff salaries and facility operations.

The government is focused on improving accessibility and affordability in the post-secondary system:

- **Accessibility**. Enrolment planning envelope funding will support capacity in areas such as health care, engineering, and apprenticeship.
- **Affordability**. Tuition fee increases will continue to be limited to the rate of inflation.

Student Assistance. Alberta continues to provide among the most generous non-repayable student assistance programs in Canada. In 2009-10, the budget for these programs will total $170 million, including:

- $106 million in scholarships, bursaries and grants. About 40,600 students will receive scholarships.
- $12 million in grants to Registered Education Savings Plans.
- $52 million for Alberta's student loan and debt relief programs. The Alberta Student Loan Relief Benefit and the Loan Relief Completion Payment reduce the debt of students in their first and final years of study.

Over $138 million in student loans are expected to be disbursed in 2009-10.

Innovation. There is $104 million budgeted in 2009-10 for innovation, research, and technology commercialization. This will support initiatives in areas of strategic importance to Alberta such as agriculture, forestry, energy and the environment, health and life sciences.

Post-Secondary Capital. About $1.2 billion in post-secondary capital projects will be supported over three years, including $484 million in 2009-10. This will provide:

- $870 million for capital expansion and upgrading, and
- $328 million for capital maintenance and renewal.

About $1.2 billion in support for post-secondary capital projects.

Ministry of Advanced Education and Technology
(millions of dollars)

	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target
Operating Expense				
Support for Adult Learning	2,023	2,147	2,205	2,271
Student Assistance	175	170	170	171
Research and Innovation Capacity	99	71	66	62
Technology Commercialization	43	33	38	41
Agencies and Access to the Future Fund	143	141	142	142
Program delivery/support	80	89	92	92
Total Operating Expense	**2,563**	**2,651**	**2,713**	**2,779**
Capital Grants	874	484	479	235
Amortization	6	8	8	8
Total Program Expense	**3,443**	**3,143**	**3,200**	**3,022**
Operating Expense increase (%)		3.4	2.3	2.4
Program Expense change (%)		(8.7)	1.8	(5.6)

WORKFORCE INITIATIVES

Initiatives to build a skilled workforce continue in *Budget 2009*, with more focus on employment and training programs.

$164 million for employment and training programs in 2009-10.

Employment and Training Programs. The budget for employment and training programs will increase to $164 million in 2009-10. This includes $60 million for training programs and $53 million for career development services. The budget also includes over $9 million for the Summer Temporary Employment Program, which will provide more than 2,100 short-term summer employment opportunities for students and unemployed workers.

The budget for workforce partnerships with industry, business associations, unions, municipalities, Aboriginal governments and organizations will increase by over 50% to nearly $16 million in 2009-10. These partnerships design and implement initiatives that help build a skilled workforce.

Immigration Programs. Over $78 million is budgeted for immigration programs in 2009-10, an increase of over $9 million or 13.6% from 2008-09. This includes funding for Settlement and Integration Services, International Qualifications Assessments, and the Alberta Immigrant Nominee Program. There are 4,000 nominees expected in 2009-10, increasing to 5,000 in 2010-11.

SUPPORT FOR AGRICULTURE

$55 million for the Alberta Livestock and Meat Agency in 2009-10.

In 2008-09, the Farm Recovery Plan provided $300 million in emergency assistance to the livestock industry, intended as the last ad-hoc assistance program for this sector. Beginning in 2009-10, the Alberta Livestock and Meat Agency (ALMA) will be fully operational, with a program expense budget of $55 million. ALMA will focus on policy and programs to develop new markets, increase innovation and improve supply chain management in the livestock sector.

Agriculture Financial Services Corporation (AFSC). AFSC will introduce a new Cattle Price Insurance Program in 2009-10, the first of its kind in Canada. This voluntary insurance program, funded from producer premiums, will help protect cattle operations from market price fluctuations.

OTHER VALUE-ADDED INITIATIVES

$71 million in 2009-10 for tourism initiatives.

Tourism. In 2009-10, the budget for tourism related initiatives will be $71 million, an increase of nearly $5 million, or 7.2%. Travel Alberta Corporation was established as a provincial agency effective April 1, 2009. The Corporation will lead tourism marketing for the province.

Parks. A new central registration and reservation system for provincial park campgrounds is under development and will be available for selected campgrounds this summer.

2010 Olympic and Paralympic Games. Alberta will have a significant profile at the 2010 Olympic and Paralympic Games in Vancouver. The 2009-10 budget includes $6.6 million to coordinate Alberta's activities leading up to and during the Games, with a focus on promoting Alberta's sport, tourism, and cultural activities.

PRIORITY: *Provide the roads, schools, hospitals and other public infrastructure to meet the needs of a growing economy and population*

Key initiatives in *Budget 2009* that address this priority include:

- The 2009-12 Capital Plan continues implementation of the *20-Year Strategic Capital Plan.*
- Significant investments will be made in the provincial highway network.
- Significant capital support for municipalities continues through the Municipal Sustainability Initiative and other programs.
- Critical water and wastewater management projects are supported including capital support for the *Water for Life* strategy.

PROVINCIAL HIGHWAY NETWORK

The province continues to invest significantly in the provincial highway network. Funding provided in 2009-10 includes:

- $656 million for construction and pavement rehabilitation work on highways throughout the province;
- $641 million to continue construction of the ring roads in Calgary and Edmonton, and
- $545 million to continue construction of economic or trade corridors, including $283 million for the Northeast Transportation Corridor.

CAPITAL SUPPORT TO MUNICIPALITIES

Nearly $1.9 billion per year in capital support to municipalities.

In *Budget 2009*, capital support to municipalities averages nearly $1.9 billion per year, through the Municipal Sustainability Initiative and other municipal capital support programs.

Municipal Sustainability Initiative (MSI). The MSI funding formula recognizes that if provincial revenue falls, MSI funding levels may have to be adjusted. Given the significant decline in provincial revenue, capital support to municipalities under the MSI will be lower than planned in *Budget 2008*. Even with these adjustments, MSI capital support will exceed $2.7 billion over the next three years.

Other Municipal Capital Support. Municipalities will receive $486 million in 2009-10 under the Alberta Municipal Infrastructure Program to support core municipal infrastructure needs. Municipal transportation grants will be $352 million in 2009-10, based primarily on 5 cents per litre of fuel delivered in Calgary and Edmonton and $60 per capita for other urban municipalities. As well, $191 million will be provided in 2009-10 under the Federal Gas Tax Program.

WATER AND WASTEWATER MANAGEMENT

$254 million for water and wastewater management projects in 2009-10.

Included in the 2009-12 Capital Plan is $254 million in 2009-10 and $715 million over three years for water and wastewater management. This includes the following allocations in 2009-10:

- $100 million for water/wastewater monitoring and other regional projects supporting the *Water for Life* strategy;
- $88 million for municipal water and wastewater partnership grants;
- $29 million for irrigation rehabilitation grants, and
- $37 million in other projects.

REVENUE OUTLOOK

BUDGET2009

BUILDING ON

OUR STRENGTH

TABLE OF CONTENTS

REVENUE OUTLOOK

Highlights 45
Revenue Outlook 45
Tax Revenue 52
Transfers from Government of Canada 53
Investment Income 55
Revenue From Other Sources 58
Revenue Sources and Key Drivers 60

REVENUE OUTLOOK

HIGHLIGHTS

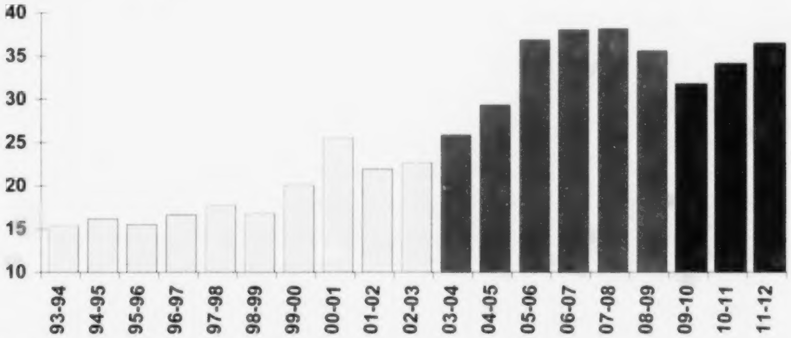
- Total revenue is expected to decline by almost $4 billion to $31.7 billion in 2009-10. Revenue is expected to grow by an average of 7% per year in the following two years.
- Resource revenue is forecast to decline by over $6 billion to $5.9 billion in 2009-10, and to grow to $8.9 billion by 2011-12. In 2009-10, oil prices are forecast to average US$55.50/bbl, and natural gas prices to average Cdn$5.50/GJ (Alberta Reference Price).
- Tax revenue is estimated at $14.8 billion and investment income at $1.8 billion in 2009-10.
- 2009-10 revenue initiatives include continued indexation of personal income tax, full-year elimination of health care insurance premiums and increases to liquor markups and the tobacco tax.
- The forecast is based on global economic recovery beginning in 2010.

REVENUE OUTLOOK

Total revenue increased by an average of 18% a year between 2002-03 and 2005-06. Then revenue growth moderated, with total revenue reaching about $38 billion in both 2006-07 and 2007-08. 2008-09 was an extremely volatile year, with energy prices climbing dramatically into July, and then dropping significantly over the rest of the year. This happened in conjunction with the global recession and financial market crisis, triggered by the housing market meltdown in the United States. In 2008-09, total revenue dropped by $2.5 billion, to $35.6 billion.

> *2008-09 was an extremely volatile year, with energy prices climbing dramatically into July, and then dropping significantly over the rest of the year.*

Total Revenue[a]
(billions of dollars)



[a] 2005-06 excludes the Alberta 2005 Resource Rebate, which lowered revenue by $1.3 billion.

In 2009-10, total revenue is forecast to decrease. With global economic recovery expected in 2010, revenue is forecast to grow over the following two years.

In 2009-10, total revenue is forecast to decrease by a further $4 billion, or 11%, to $31.7 billion. The decrease primarily reflects lower resource revenue, income tax revenue and the full-year impact of eliminating health care insurance premiums. These are partially offset by higher federal transfers and a recovery in investment income. With global economic recovery expected in 2010, revenue is forecast to grow by about $2.4 billion annually over the following two years, reaching $36.4 billion by 2011-12.

Revenue
(millions of dollars)

	2007-08 Actual	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target
Tax revenue	16,539	16,013	14,752	15,281	16,202
Non-renewable resource revenue	11,024	12,289	5,903	7,386	8,892
Federal transfers	3,048	4,292	4,671	4,909	4,593
Investment income	2,414	(1,872)	1,799	1,873	1,940
Other revenue	5,144	4,905	4,536	4,582	4,758
Total Revenue	**38,169**	**35,627**	**31,661**	**34,031**	**36,385**

The forecast reflects elimination of health care insurance premiums, indexation of personal income tax, and increases to tobacco tax rates and liquor markups. It also incorporates the new royalty framework, effective January 1, 2009, the drilling stimulus initiatives announced March 3rd, and the impact of all oil sands royalties being paid on bitumen rather than on synthetic crude oil. If the duration and depth of the global recession and financial market tightness are worse than anticipated, the revenue forecast would be significantly affected.

NON-RENEWABLE RESOURCE REVENUE

Non-renewable resource revenue increased by $1.3 billion, or 11.5%, to $12.3 billion in 2008-09, due to a significant increase in oil prices in the summer of 2008 and a rebound in natural gas prices.

Oil royalties increased by $367 million, or 8% in 2008-09, with an average oil price for the fiscal year of US$85.50 per barrel, about US$3.25 higher than the average in 2007-08. The oil price climbed dramatically from US$101 in April to US$147 per barrel by July 2008, only to drop rapidly to the mid-US$30 range by December. Natural gas royalties increased by $810 million, or 15.6%, due to an 18% increase in the average price, to Cdn$7 per gigajoule (GJ). The lower Canadian-US exchange rate also had a positive impact on royalty revenue.

In 2009-10, resource revenue is forecast to decline by 52%, to $5.9 billion.

In 2009-10, resource revenue is forecast to decline $6.4 billion, or 52%, to $5.9 billion. This largely reflects the impact of the global recession and the financial market crisis on the demand for, and prices of, oil and natural gas, lower land sales, and the $842 million in drilling stimulus initiatives. Non-renewable resource revenue is forecast to reach $7.4 billion by 2010-11, reflecting an expectation that oil and natural gas prices will trend up due to increased global demand.

Revenue from bonuses and sales of Crown leases was about the same in 2008-09 as in 2007-08, at $1.2 billion. In 2009-10 and the following two years, land lease sales revenue is forecast to average about $660 million a year.

The resource revenue forecast is based on lower conventional production and drilling levels, lower land lease sales, increasing oil sands production and all oil sands royalties being paid on bitumen rather than on synthetic crude oil.

Non-Renewable Resource Revenue
(millions of dollars)

	2007-08 Actual	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target
Natural gas and by-products royalty	5,199	6,009	3,687	3,937	3,845
Crude oil royalty	1,655	1,706	1,249	1,489	1,655
Synthetic crude oil and bitumen royalty	2,913	3,229	1,008	1,784	2,554
Coal royalty	14	34	27	26	28
Bonuses and sales of Crown leases	1,128	1,153	631	679	682
Rentals and fees	159	158	143	136	128
Royalty tax credit/drilling stimulus initiatives	(44)	-	(842)	(665)	-
Total	**11,024**	**12,289**	**5,903**	**7,386**	**8,892**

CHANGES TO ALBERTA'S ROYALTY REGIME

On January 1, 2009 the New Royalty Framework was implemented. This reflected the changes announced in October 2007 with an adjustment for deep oil and gas wells features announced April 10, 2008 following the "unintended consequences" review. Royalty rates are based on the price of the commodity being produced and the rate of production. The new framework is more sensitive to prices and production rates and has a higher maximum rate than the previous regime.

Under the new royalty structure, royalty rates, and therefore revenue, are more sensitive to the price of the commodity.

The framework is still considered the best long-term structure. Due to the global recession and financial market crisis, and the impact on oil and gas markets, a number of temporary changes were made to the royalty regime. In November, in response to a record drop in oil and gas prices from July to November, the government announced that new wells drilled could apply for transitional royalty rates. The five year program adjusted royalties to reflect the changed economics of producing oil and gas wells in Alberta.

The higher sensitivity under the new framework means resource revenue will be more variable with changes to forecast energy prices and production levels. In 2008-09, with only three months under the new royalty regime, revenue was slightly less than it would have been if the original royalty structure had remained in place. However, as prices rebound, royalty revenue is expected to rise relative to the former structure.

DRILLING STIMULUS INITIATIVES

On March 3, 2009 the government responded to the more severe-than-anticipated global economic conditions and credit crisis by announcing two new drilling stimulus initiatives, estimated at $1.5 billion over two years.

The government responded to the global economic conditions and credit crisis by announcing two new drilling stimulus initiatives.

The new well incentive feature provides a maximum royalty rate of 5% for the first year of production for new oil and gas wells. This feature is intended to increase cash flow to those companies drilling new wells which should significantly improve the economics of drilling. It is in effect for wells that begin producing conventional oil or natural gas between April 1, 2009 and March 31, 2010.

The drilling credit feature provides companies with a $200 per meter drilled royalty credit for wells drilled between April 1, 2009 and March 31, 2010. There is a sliding scale that caps the corporate credit based on company size and 2009-10 royalties paid. The intent of the program is to improve cash flow and the economics of drilling for all companies. Since smaller and medium-sized companies have a higher percentage of 2009-10 royalties under the sliding scale, they should receive the biggest benefit.

Total Conventional Oil, Natural Gas and Oil Sands Royalties
(millions of dollars)

	2008-09	2009-10	2010-11	2011-12
Previous regime	10,959	5,349	5,919	6,241
NRF change	(15)	597	1,376	2,066
Transition change	0	(2)	(85)	(253)
Royalties under New Regime	**10,944**	**5,944**	**7,210**	**8,054**
Drilling stimulus	0	(842)	(665)	0
Budgeted Royalties Revenue	**10,944**	**5,102**	**6,545**	**8,054**

NATURAL GAS AND BY-PRODUCT ROYALTY

Natural gas royalties account for about 55% of total non-renewable resource revenue.

Natural gas royalties account for about 55% of total non-renewable resource revenue. Natural gas prices and royalties peaked in 2005-06, when prices jumped to Cdn$8.29/GJ. Over the next two years, prices averaged below $6/GJ, production decreased and royalty revenue decreased. In 2008-09, prices jumped in the first half of the year, only to retrench, but still averaged $7/GJ. Natural gas royalties are forecast at $6 billion for 2008-09, an increase of $810 million or 16%.

Natural gas prices are forecast to decrease by $1.50, or 21% to Cdn$5.50/GJ in 2009-10, primarily due to a recession-induced fall in US industrial demand, rising inventories and growing US domestic gas production due to shale gas development. With the projected recovery in the global economy and a moderation in US gas production growth, natural gas prices are forecast to recover modestly and average Cdn$6/GJ in 2010-11 and rise to Cdn$6.25 GJ in 2011-12.

Natural gas royalties are forecast at $3.7 billion in 2009-10, 39% lower than in 2008-09.

Natural gas royalties are forecast at $3.7 billion in 2009-10, $2.3 billion, or 39% lower than in 2008-09. Royalties are expected to increase $250 million to nearly $4 billion in 2010-11, and then decline slightly in 2011-12. The increase in 2010-11 reflects the expected global economic recovery and accompanying growth in US demand, while lower production accounts for the drop in 2011-12.

Natural gas production is forecast to decline by about 14% over the next three years, with a 17% reduction in conventional gas production, partially offset by a 24% increase in coal bed methane. The royalties received on coal bed methane are lower than on conventional gas, reflecting lower production rates.

Natural Gas Assumptions

	2007-08 Actual	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target
Revenue ($ millions)	5,199	6,009	3,687	3,937	3,845
Price (Cdn$/GJ)	5.92	7.00	5.50	6.00	6.25
Production (billions of cubic feet)					
Conventional	4,874	4,606	4,302	4,038	3,842
Coal Bed Methane	230	251	264	287	312

OIL ROYALTIES

Conventional and non-conventional crude oil royalties account for about 33% of total non-renewable resource revenue. Primarily as a result of the record oil prices reached in 2008-09, and in spite of the subsequent rapid drop in prices, royalties are forecast at $4.9 billion, an increase of $367 million, or 8% from 2007-08. Prices are forecast to have averaged US$85.50 in 2008-09.

Total oil royalties are forecast to decline by $2.7 billion, or 54% in 2009-10, to $2.3 billion. Conventional oil production is expected to continue declining, while non-conventional production is expected to continue rising. Royalties paid on non-conventional production are forecast to be lower as costs are higher and all oils sands projects have elected to pay royalties based on the revenue and costs associated with bitumen production. Bitumen prices tend to average 40-50% of the WTI oil price in Canadian dollars. Total oil royalties are expected to recover beginning in 2010-11, reaching $4.2 billion by 2011-12.

Total oil royalties are forecast to decline by 54% in 2009-10 then recover beginning in 2010-11.

Oil prices are forecast to decline to US$55.50 per barrel in 2009-10, start to recover in 2010-11 and reach US$72.50 per barrel by 2011-12. Global oil demand is estimated to have fallen by approximately 1.4 million barrels per day between 2007 and 2009. This will keep prices down in 2009, even with OPEC showing discipline regarding production cuts, and with reduced non-OPEC production because of lower exploration and development spending.

With world economic growth expected to begin recovering in 2010, demand should increase while supply growth will remain stagnant. The main risk of this forecast is that the global recession is deeper or longer than assumed.

Oil sands royalties account for about 15% of non-renewable resource revenue, and have been increasing strongly over the last six years. In 2009-10, royalties are forecast to decline by over $2 billion, or almost 70% to just over $1 billion, due mainly to the lower oil price, higher operating and capital costs, and all projects paying royalties on the production of bitumen. With the expected global recovery, and continued oil sands production growth, royalties are forecast to recover in 2010-11 and 2011-12, reaching $2.6 billion. Oil sands production is expected to continue expanding over the forecast period, almost doubling between 2008-09 and 2011-12.

Conventional crude oil royalties account for about 18% of non-renewable resource revenue. Record oil prices in the first half of 2008-09 resulted in crude oil royalties forecast at over $1.7 billion, the highest level since 1985-86, and slightly higher than in 2007-08. In 2009-10, royalties are forecast to decline to $1.2 billion, but then are expected to increase to $1.7 billion by 2011-12. This is due to the expected global economic recovery, resulting growth in crude oil demand and lack of supply growth from current retrenchment in industry exploration and development spending.

Oil Assumptions

	2007-08 Actual	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target
Revenue ($ millions)					
Crude oil royalty	1,655	1,706	1,249	1,489	1,655
Synthetic crude oil and bitumen royalty	2,913	3,229	1,008	1,784	2,554
Price					
West Texas Intermediate (US$/per barrel)	82.25	85.50	55.50	64.50	72.50
Bitumen(Cdn$/per barrel)	43.53	60.10	32.71	36.13	39.27
Production (000's barrels/day)					
Conventional	520	498	469	457	451
Non-conventional	1,257	1,398	1,934	2,155	2,478

ENERGY PRICE FORECASTS BY OTHER ORGANIZATIONS

The significant jump in oil prices in 2008, and the rapid rise in energy prices in recent years, were not foreseen by most analysts. Uncertainty over energy prices has increased. Oil prices climbed to US$147 per barrel in July 2008 and then dropped to US$34 by December, following the global economic downturn, financial market crisis and decline in demand.

Most forecasters are expecting oil prices to strengthen over the next three years, though there is divergence with respect to how much and how quickly they will rise. The main difference among forecasters is their views on the length and depth of the global recession, and its impact on demand.

National forecasting agencies and energy industry analysts expect oil prices in the US$40 to $50 range for the immediate future, with prices reaching the $80 to $90 range by 2012-13. Investment firms are somewhat more optimistic about the future, with several forecasting prices of around $100 by 2012-13.

The price forecast is close to the average of the various forecasts and in line with the general consensus that oil prices will start to recover by 2010.

The price forecast is close to the average of the various forecasts and in line with the general consensus that oil prices will start to recover by 2010. The forecast is based on:

- Global economic recovery in 2010, with growth of about 2%, rising to 3.5% in 2012;
- A corresponding return to historical levels of demand growth, with a lag in supply growth due to current reductions in industry exploration and development spending.

Comparison of Energy Price Forecasts

Private Forecasters[a]

	High	Low	Average	Budget 2009
2009-10				
Oil Price (WTI US$/bbl)	78.75	36.44	52.10	55.50
Natural Gas Price (Cdn$/GJ)	7.09	3.92	5.47	5.50
2010-11				
Oil Price (WTI US$/bbl)	90.25	44.31	65.78	64.50
Natural Gas Price (Cdn$/GJ)	7.71	4.58	6.35	6.00
2011-12				
Oil Price (WTI US$/bbl)	101.25	48.55	76.35	72.50
Natural Gas Price (Cdn$/GJ)	8.25	5.12	6.77	6.25

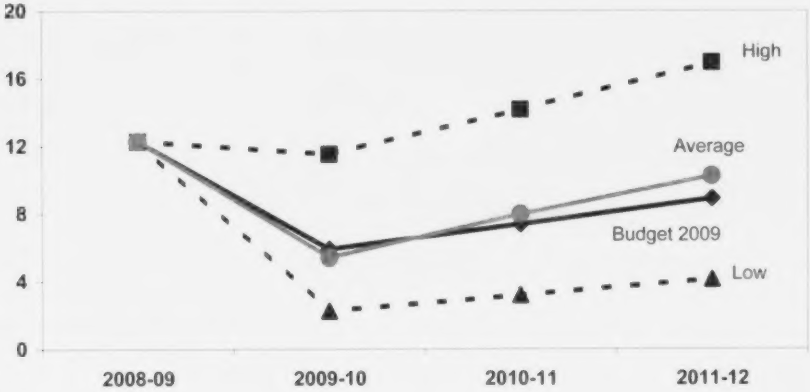
[a] Private forecasts have been converted to a fiscal year basis, and for natural gas prices, from Henry Hub US$/MMBTU basis to Cdn$/GJ.

The range between high and low price forecasts continues to be significant. The range for oil prices is over US$40 in 2009-10 and over US$50 in 2011-12, while for natural gas prices it is over Cdn$3/GJ in 2009-10. Based on this range of prices, non-renewable resource revenue would be between $2.3 billion and $11.5 billion in 2009-10, and between $4 billion and $17 billion in 2011-12.

The range between high and low price forecasts continues to be significant.

Energy Revenue Scenarios[a]

(billions of dollars)



[a] Energy revenue scenarios are based on a survey of oil and natural gas prices. Not all of these are publicly released.

TAX REVENUE

Tax revenue, which accounts for 47% of total revenue, is estimated at $14.8 billion in 2009-10, $1.3 billion or 8% lower than in 2008-09. The decrease is largely due to the global recession and financial market crisis, which have negatively impacted personal income and corporate profits. In the following two years, with the expected economic recovery, tax revenue is forecast to grow by an average of about 5% a year.

PERSONAL INCOME TAX REVENUE

Personal income tax revenue growth is lower than in previous years, primarily reflecting lower expected labour income growth and depressed investment income.

Personal income tax revenue is forecast at $8.6 billion in 2009-10, $56 million lower than 2008-09. Excluding the prior years' adjustment of $154 million in 2008-09, base personal income tax revenue is $98 million, or 1.2% higher. This is significantly lower than the impressive growth rates enjoyed in previous years, primarily reflecting lower expected labour income growth and depressed investment income. In the following two years, personal income tax revenue is forecast to grow by $760 million, about 4.3% per year, based on the global economic recovery beginning in 2010.

Personal Income Tax Revenue
(millions of dollars)

	2007-08 Actual	**2008-09** Forecast	**2009-10** Estimate	**2010-11** Target	**2011-12** Target
Base revenue	7,903	8,461	8,559	8,845	9,319
Prior years' adjustments	368	154			
Total	**8,271**	**8,615**	**8,559**	**8,845**	**9,319**
Base revenue change (%)		7.1	1.2	3.3	5.4

CORPORATE INCOME TAX REVENUE

Weakness in corporate profits will result in low corporate income tax revenue for the next several years.

Corporate income tax revenue is forecast at $2.4 billion in 2009-10. This is $1.3 billion, or 35% less than in 2008-09. The difficult global economic conditions and drop in energy demand and prices have significantly impacted corporate profits in Alberta, which have been exceptionally strong over the last seven years. This weakness in corporate profits will result in low corporate income tax for the next several years, even as global economic conditions and energy prices recover, as losses incurred now are carried forward. Corporate income tax revenue is expected to show healthier growth beginning in 2011-12.

Corporate Income Tax Revenue
(millions of dollars)

	2007-08 Actual	**2008-09** Forecast	**2009-10** Estimate	**2010-11** Target	**2011-12** Target
Total	**4,695**	**3,774**	**2,447**	**2,596**	**2,948**
Revenue change (%)		(19.6)	(35.2)	6.1	13.6

EDUCATION PROPERTY TAX REVENUE

Education property tax revenue is forecast at $1.5 billion in 2009-10, an increase of $70 million, or 4.8% from 2008-09. Revenue is expected to grow by $62 million, about 2% a year over the following two years. While education property tax revenue is increasing, mill rates are being reduced by about 16% in 2009-10 to offset growth in assessment from inflation.

OTHER TAX REVENUE

Revenue from other taxes is forecast to reach $2.2 billion in 2009-10, a net increase of $52 million, or 2.4% from 2008-09. A $93 million increase in revenue, mainly from tobacco tax, is partially offset by a $41 million reduction in mineral rights tax revenue. Over the following two years, other tax revenue is expected to increase by $127 million, an average of about 3% a year, primarily due to population and economic growth.

Tobacco tax rates are being increased effective midnight April 7th. The tax on cigarettes goes up $3, to $40 per carton, and the tax rates on loose tobacco and cigars are also increased. The rate changes are expected to increase revenue by about $70 million.

Further details on tobacco and other taxes are provided in the *Tax Chapter.*

Tax Revenue
(millions of dollars)

	2007-08 Actual	**2008-09** Forecast	**2009-10** Estimate	**2010-11** Target	**2011-12** Target
Personal income tax	8,271	8,615	8,559	8,845	9,319
Corporate income tax	4,695	3,774	2,447	2,596	2,948
Education property tax	1,393	1,462	1,532	1,562	1,594
Other taxes	2,180	2,162	2,214	2,278	2,341
Total Tax Revenue	**16,539**	**16,013**	**14,752**	**15,281**	**16,202**

TRANSFERS FROM GOVERNMENT OF CANADA

Federal transfers, which make up about 15% of total revenue, are forecast at $4.7 billion in 2009-10, $379 million, or 8.8% higher than in 2008-09.

HEALTH TRANSFERS

Health transfers are estimated at $2 billion in 2009-10, $50 million, or 2.4% lower than in 2008-09, mainly due to a prior years' adjustment which increased revenue in 2008-09 by $279 million. Excluding this adjustment, health transfers are increasing by $229 million, or 12.7%. Health transfers are forecast to increase at an average rate of 5.9% per year over the two years following 2009-10, reaching $2.3 billion by 2011-12. This is due to the 6% national annual escalator for CHT cash and Alberta's increasing share of the national population, offset by reductions in a number of other small health transfers, primarily releated to patient wait time reduction.

Health transfers are forecast to increase at an average rate of 5.9% per year over the two years following 2009-10.

CANADA SOCIAL TRANSFER

Canada Social Transfer revenue is expected to grow by 4.3% per year over the two years following 2009-10.

The Canada Social Transfer (CST) provides support for post-secondary education and social programs, and is now allocated across provinces on an equal per capita cash basis.

CST revenue is estimated to decrease by $37 million, or 3.1% to $1.2 billion in 2009-10, mainly due to a prior years' adjustment which increased revenue in 2008-09 by $75 million. Excluding this adjustment, the CST is forecast to increase by $38 million, or 3.4%. This reflects the legislated 3% escalator in the national cash transfer and Alberta's relatively strong population growth.

CST revenue is expected to grow by 4.3% per year over the two years following 2009-10, higher than the 3% escalator because of Alberta's relatively strong population growth.

OTHER FEDERAL TRANSFERS

Other federal transfers, including agriculture support programs, are forecast at $1.5 billion in 2009-10, $466 million or 47% higher than in 2008-09. These transfers increase by another $97 million in 2010-11, but then, in 2011-12, drop back to just slightly higher than the 2008-09 level.

The increase relates mainly to:

- the federal economic stimulus, Building Canada Fund, which adds $213 million and $468 million in 2009-10 and 2010-11 respectively, after which it ends;
- re-profiling of funds under the Community Development Trust and Canada ecoTrust for Clean Air and Climate Change from 2008-09 to 2009-10 and later years;
- an increase in labour market development funding;
- funding under the Royal Alberta Museum agreement.

A number of these and other federal transfers are scheduled to end during the next three years. Finally, revenue from the Softwood Lumber Export Tax, a share of which is transferred to Alberta, is forecast to decline significantly with the expected recovery in lumber prices by 2011-12.

Agriculture support programs are expected to remain essentially flat at about $380 million for the next three years.

Transfers from Government of Canada

(millions of dollars)

	2007-08 Actual	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target
Health Transfers	1,356	2,087	2,037	2,123	2,283
Canada Social Transfer	866	1,207	1,170	1,225	1,273
Agriculture support programs	171	348	374	383	380
Other transfers	655	650	1,090	1,178	657
Total	**3,048**	**4,292**	**4,671**	**4,909**	**4,593**

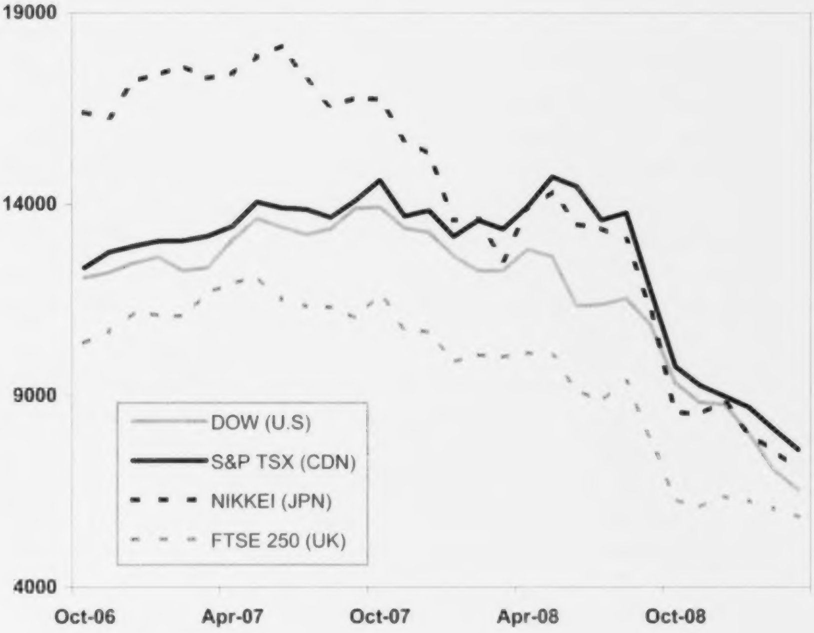
INVESTMENT INCOME

At March 31, 2009, Alberta had about $44 billion in financial assets that are invested to meet short-term, medium-term and longer-term objectives.

Investment income in 2009-10 is estimated to be $1.8 billion, an increase of $3.7 billion from 2008-09. Income in 2008-09 was forecast to be negative $1.9 billion, mainly because of the significant decline in financial markets. The Heritage Fund and endowment funds are forecast to lose $3 billion, while shorter-term savings had forecast income of $1.1 billion. Investment income is forecast to increase by an average of 3.8% a year for the following two years, reaching $1.9 billion by 2011-12. This is based on financial markets recovering in 2010, tempered somewhat by lower interest rates and balances in several funds.

> *Investment income in 2009-10 is estimated to be $1.8 billion, an increase of $3.7 billion from 2008-09.*

Performance of Major Stock Markets



Financial markets performed strongly in 2006 and the first half of 2007, but equity markets suffered a 'correction' in October 2007. Markets began recovering slowly in the first half of 2008. However, the liquidity crisis and deteriorating global economic conditions caused a major decline in financial markets beginning in the fall of 2008.

> *The liquidity crisis and deteriorating global economic conditions caused a major decline in financial markets beginning in the fall of 2008.*

Investment Assets / Income
(millions of dollars)

	Assets at Mar 31, 2009	2007-08 Actual	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target
Sustainability Fund[a]	16,822	631	465	345	220	200
Heritage Fund	13,928	882	(2,412)	778	879	958
Endowment Funds	2,458	134	(547)	100	146	153
Alberta Capital Finance Authority	6,724	320	285	294	314	333
Agriculture Financial Services Corp.	2,325	105	102	108	120	130
Other[b]	1,783	342	235	174	194	166
Total	**44,040**	**2,414**	**(1,872)**	**1,799**	**1,873**	**1,940**

[a] Under the new *Fiscal Responsibility Act*, the Capital Account and Carbon Capture and Storage and GreenTRIP set asides have been combined in the Sustainability Fund.

[b] Assets include the Debt Retirement Account, Cancer Prevention Legacy Fund, Alberta Enterprise Corporation and Energy Innovation Fund; investment income includes income from these sources and other investment income from a number of smaller funds and accounts.

ALBERTA SUSTAINABILITY FUND

Assets in the Capital Account and those set aside for Carbon Capture and Storage and GreenTRIP are being combined into the Sustainability Fund.

As stipulated in the new *Fiscal Responsibility Act, 2009*, assets in the Capital Account and those set aside for Carbon Capture and Storage and GreenTRIP are being combined into the Sustainability Fund, which is forecast to have a book value of $16.8 billion on March 31, 2009. The purpose of this Fund is to help shield spending plans over the short to medium term from fiscal difficulties. The Fund is to be used to offset deficits, and therefore the assets will continue to be invested in short to medium term instruments that are relatively liquid.

Investment income is forecast at $345 million in 2009-10, a decrease of $120 million or 26% from 2008-09. Income is forecast to fall to $200 million by 2011-12, as withdrawals are required over the three years to offset deficits and interest rates are forecast to remain low. The fiscal plan is based on budget surpluses beginning in 2012-13, which will be deposited into the Sustainability Fund with a goal of replenishing the Fund to $10 billion.

HERITAGE FUND AND ENDOWMENT FUNDS

The Heritage Fund and endowments are targeted to have a long term market value rate of return of 5.5% after inflation.

These funds, with an estimated book value of $16.4 billion as of March 31, 2009, are invested for longer-term returns. This means they are invested in diversified portfolios which include riskier assets such as equities. The income reported is therefore more volatile. The Heritage Fund and endowments are targeted to have a long term market value rate of return of 5.5% after inflation.

In 2008-09, the book value of these funds declined $3.2 billion, reflecting write-downs of assets and realized losses due to the collapse in global financial markets, and endowment fund spending. The losses would have been greater had the investments not been allocated among a well diversified set of asset classes, as detailed in the following table.

Heritage Fund Return and Asset Mix Assumptions[a]
December 31, 2008

Type of Investment	Expected Return (%)	Asset Mix (%)	Returns (%)	
			5-Year	1-Year
Canadian public equities	8.0	13.5	4.1	(33.7)
Foreign public equities	8.0	31.2	(2.0)	(30.9)
Real estate	8.0	13.2	16.9	5.5
Private equity	11.0	4.1	6.8	(11.9)
Infrastructure	9.0	2.8	13.9	10.7
Timberlands	8.0	0.6	n.a	(8.7)
Absolute return strategies	6.75	5.4	(0.3)	(26.6)
Fixed income	5.0	27.9	4.6	0
Money market	3.75	1.3	3.1	3.1
Active management value added	1.0	n.a	(0.1)	(3.9)
			4.1	**(16.5)**

[a] From the 2009-12 Alberta Heritage Savings Trust Fund Business Plan. Annual returns reflect periods ending December 31, 2008. Actual asset mix on December 31, 2008.

Realized income in 2009-10 is forecast at $878 million, an increase of $3.8 billion from 2008-09. While global equity markets are expected to stabilize in 2010, some embedded losses remaining from the market meltdown will be realized in 2009-10.

Realized income in 2009-10 from the Heritage Fund and endowment funds is forecast at $878 million, an increase of $3.8 billion from 2008-09.

In the following two years, realized income of these funds is expected to increase by $233 million, or 12.5% per year, reflecting the anticipated recovery of global financial markets.

ALBERTA CAPITAL FINANCE AUTHORITY AND AGRICULTURE FINANCIAL SERVICES CORPORATION

These two self-supporting organizations had forecast assets of $9 billion at March 31, 2009. The Alberta Capital Finance Authority allows municipalities and other local authorities to borrow at rates based on the provincial government's AAA rating, currently between 3.0% and 5.2%, depending on the term of the loan. The Agriculture Financial Services Corporation provides low cost farm loans and manages the government's agriculture insurance programs. In 2009-10, these two organizations' total investment income is forecast at $402 million, a 3.9% increase from 2008-09, due mainly to a forecast increase of about $650 million in loans/assets. Revenue is forecast to grow by an average of 7.3% in the following two years, with assets increasing by about $1.3 billion and investment returns expected to be about 4.2%.

REVENUE FROM OTHER SOURCES

Revenue from other sources is estimated at 7.5% less than 2008-09, due mainly to the elimination of health care insurance premiums on January 1, 2009.

Revenue from other sources is estimated at $4.5 billion in 2009-10. This is $369 million, or 7.5% less than 2008-09, due mainly to the elimination of health care insurance premiums on January 1, 2009. Excluding health care insurance premiums, revenue would be increasing $395 million, or almost 10%. Revenue from other sources is expected to reach $4.8 billion by 2011-12.

GAMING AND LIQUOR REVENUE

For the first time since 2002, liquor markups are being raised effective immediately, increasing revenue by an estimated $180 million in 2009-10. The markup goes up by $1.30 for a dozen beer from a major brewer, by at least 75 cents for a 750 millilitre bottle of wine and by $2.85 for a 750 millilitre bottle of most spirits. Stock currently in retail outlets is not subject to the markup increase. As this stock is replenished, retailers will be charged the higher markups.

Gaming and liquor revenue is forecast at $2.4 billion in 2009-10, and is expected to grow by an average of 1.5% over the following two years. Lottery revenue is expected to fall in 2009-10, due to current economic conditions, but to return to normal growth as the economy recovers.

ALBERTA TREASURY BRANCHES

Net income is forecast at $148 million in 2009-10, an increase of $122 million from 2008-09. In both 2007-08 and 2008-09, ATB net income was significantly below normal due to write-downs of $253 million and $140 million respectively related to asset-backed commercial paper. Net income is expected to remain below historical levels this year and next, reflecting economic conditions and low interest rates, before recovering in 2011-12.

PREMIUMS, FEES AND LICENCES

Revenue is estimated at $1.2 billion in 2009-10, a decrease of $721 million or 38.4% from 2008-09, mainly from the elimination of health care insurance premiums. Economic conditions result in lower forecasts for revenue from motor vehicle licenses and land titles, while crop and hail insurance premiums and timber rentals and fees are expected to increase, the latter due to lumber prices and volumes beginning to turn around in the second half of 2009.

Premiums, fees and licences revenue is forecast to increase by $18 and $27 million in 2010-11 and 2011-12 respectively, due mainly to increases in the ATB deposit guarantee fee and non-group health benefit premiums.

OTHER REVENUE

Other revenue is expected to increase by $54 million, to $860 million in 2009-10, due mainly to a donation of a Fort McMurray interchange constructed by the private sector. Other revenue is expected to decrease to $816 million in 2010-11, reflecting the one-time revenue impact of the donation, partially offset by an increase in revenue from Canada Health Infoway for a diagnostic imaging project. Revenue is then expected to increase to $855 million in 2011-12, primarily due to anticipated new facilities becoming operational and paying emissions management credits.

Other revenue is expected to increase by $54 million in 2009-10.

Revenue from Other Sources
(millions of dollars)

	2007-08 Actual	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target
Alberta Gaming & Liquor Commission	2,293	2,196	2,372	2,417	2,445
Alberta Treasury Branches	30	26	148	175	257
Health care insurance premiums	979	764	-	-	-
Premiums, fees and licences	992	1,113	1,156	1,174	1,201
Other	850	806	860	816	855
Total	**5,144**	**4,905**	**4,536**	**4,582**	**4,758**

Revenue Sources and Key Drivers

A significant portion of Alberta government revenues comes from non-renewable resources and investment income and is subject to considerable volatility. The following table describes Alberta's revenue sources and their key drivers.

Revenue Source and Key Drivers	Comments
Income Tax Revenue	
Personal Income Tax • Economic and labour market conditions that affect personal income • Number of taxpayers (population) • Inflation	• Revenue generally tracks closely to nominal GDP growth. • Adjustments to prior year estimates are made as a result of differences between actual taxable income assessed by Canada Revenue Agency and personal income estimated by Statistics Canada. • Alberta is required to follow the federal definition of taxable income. • Provincial tax credits are indexed to inflation.
Corporate Income Tax • Corporate taxable income/profits • General economic conditions e.g., labour and other cost inflation, exchange rates, energy prices	• Volatile and highly sensitive to changes in key drivers. • The timing and use of discretionary tax pools (e.g. capital cost allowance pools, loss pools, exploration and development pools) adds to volatility. • Alberta administers its corporate tax system, but generally maintains consistency with the federal system.
Other Taxes	
Education Property Tax • Construction growth (new and improvements to existing)	• Tends to be a stable source of revenue. • Current policy is to lower rates to offset inflationary growth.
Other taxes • Tobacco, Fuel, Insurance Taxes, Tourism Levy - based on consumption and driven by population and economic growth • Freehold Mineral Rights Tax based on energy prices and production	• Tend to be stable sources of revenue (tobacco, fuel, tourism, insurance). • Tobacco revenue can be affected by smuggling/criminal activity and tobacco use reduction efforts.
Non-renewable Resource Revenue	
Natural gas and by-products royalty • Price and production • Global economic growth • Weather • Liquefied natural gas imports/shale gas • Environmental issues	• The new royalty system increases revenue sensitivity to price changes. • Global and US recession has reduced demand. • Shale gas production and liquefied natural gas imports to North America are growing additional sources of supply that put downward pressure on prices.
Crude oil royalty • Price and production • Global economic growth • OPEC market influence and non-OPEC supply additions • Geopolitical tensions • Environmental issues	• The new royalty system increases revenue sensitivity to price changes. • Prices are extremely unpredictable. Wide range of views based on opinions about global demand and supply growth. • Uncertainty about depth and duration of the global recession.
Synthetic crude oil and bitumen royalty • Price (including bitumen valuation) and production • Investment and operating costs due to 'revenue minus cost' royalty regime • Environmental issues	• The new royalty system increases revenue sensitivity to price changes. • All oil sands projects have elected to pay royalties based on revenue and costs of bitumen production. • Bitumen valuation methodology being developed. • High costs erode government revenue share.
Other • Includes bonuses and sale of crown leases, rentals and fees, and coal royalty • Activity in industry • Number/location of leases up for auction • Environmental issues	• Sale of crown leases reached a record of $3.5 billion in 2005-06 and has been declining since. • For oil sands, 98% of surface mineable area is leased, while 58% of the in-situ area is leased.

Revenue Source and Key Drivers	Comments
Transfers from the Government of Canada	
- Includes Canada Health Transfer (CHT), Canada Social Transfer (CST), Agriculture Support programs, and other transfers - Federal policy and program parameters - Population	- In accordance with the 2009 Federal Budget, the Canada Health Transfer to each province for 2009-10 has been fixed in federal legislation. - Over the last few years, federal government has introduced short term "trust" transfers near the end of the fiscal year. - Agriculture support programs are affected by weather, commodity prices, trade barriers, crop/livestock disease and pests (e.g., BSE).
Net Income from Commercial Operations.	
Gaming and Liquor Revenue - Population - General economic conditions - Personal income	- Lottery proceeds are used to support volunteer and community-based initiatives. - Gaming and liquor revenue influenced by societal trends and disposable income.
Other - Mainly Alberta Treasury Branches (ATB) - Economic and business conditions - Loan defaults and investment gains/losses	- ATB write-down of asset-backed commercial paper in 2007-08 and 2008-09.
Premiums, Fees and Licences	
Health Care Insurance Premiums	- Premiums eliminated as of January 1, 2009.
Other Premiums, Fees and Licences - Includes motor vehicle licenses, crop and hail insurance premiums, land titles - Mainly volume/population driven	- The Supreme Court ruled that fees cannot exceed reasonable costs of providing the good or service. - Land titles are affected by housing starts and home sales. - Crop and hail insurance premiums are affected by commodity prices, crop conditions, and exchange rates.
Investment Income	
Long-term investments - Includes the Alberta Heritage Savings Trust Fund and endowment funds - Global equity markets - Interest and exchange rates	- In the short-term, realized income is volatile due to market swings as assets are bought and sold. - Over the longer-term, swings in income are expected to even out. - Interest rate changes impact investment income through their effect on the market price of bonds held by the Fund. - Changes in the exchange rate affects return from investment in foreign assets.
Loan/Insurance portfolios - Includes Alberta Capital Finance Authority and Agriculture Financial Services Corporation - Interest rates - Amount of municipal borrowing - Health of agriculture sector and availability of conventional borrowing sources	- Objectives of provincial agencies are policy-oriented, not focused on maximizing investment returns.
Short to medium-term investments - Primarily Sustainability Fund - Interest rates - Timing and amount of withdrawals - Emergencies/disasters	- Sustainability Fund available to protect government fiscal plan. - Invested in more liquid financial instruments, which generally bear a lower rate of return and risk.
Other Revenue	
- Includes insurance company liability for health care costs, traffic fines, Climate Change Emissions Management Fund - Mainly based on population growth	- Amount of emission management credits paid by industry depends on corporate decisions regarding emission management options. - Crown's cost of health services, provided to Albertans injured by negligent operation of automobiles, is covered by Alberta automobile insurers.

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FISCAL PLAN TABLES

BUDGET2009

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TABLE OF CONTENTS

FISCAL PLAN TABLES

Fiscal Summary 65
Sustainability Fund 65
Balance Sheet – Summary 65
Revenue 66
2009 –10 Revenue 67
Expense by Ministry 68
Expense by Function 68
2009 –10 Expense by Ministry 69
2009 –10 Expense by Function 69
2009–10 Ministry Expense by Function 70
2009–10 Ministry Expense by Object 71
Operating Expense by Ministry 72
Debt Servicing Costs 72
Capital Plan 73
2009–12 Capital Plan 73
Capital Investment in Government-Owned Capital 74
Grants to Local Authorities for Capital Purposes and Other Capital Support 75
Comparison of the Capital Plan and Expense for Capital Purposes 75
Capital Amortization for Government-Owned Capital 76
Nominal Sum Disposals 76
Liabilities for Capital Projects 76
Retained Income of Funds and Agencies 77
Cash Adjustments 77
Capital Investment Cash Requirements 77
Balance Sheet Details 78
Capital Assets 79
Accumulated Debt 79
Pension Obligations 79
General Revenue Fund Term Debt Maturities 80
Loans and Advances 80
Net Financial Requirements 81
Guarantees 81
2009–10 Allocation of Lottery Fund Revenue 82
Full-Time Equivalent Employment 83
Premiums, Fees and Licences Changes 84
Major Provincial Tax Rates, 2009 85
Key Energy and Economic Assumptions 86
Sensitivities to Fiscal Year Assumptions, 2009–10 86
Historical Fiscal Summary, 1990–91 to 2009–10 87

Fiscal Summary[a]

(millions of dollars)

	2007-08 Actual	2008-09 Budget	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target
Revenue	38,169	38,743	35,627	**31,661**	34,031	36,385
Expense						
Program expense						
Operating expense	27,077	29,941	30,118	**31,244**	32,393	33,429
Capital grants[b]	5,170	5,904	5,260	**4,152**	4,978	5,569
Disaster/emergency/natural gas rebates	553	375	744	**-**	-	-
Capital amortization and nominal sum disposals	574	735	716	**774**	814	828
Debt servicing costs	214	220	215	**205**	260	312
Total Expense[c]	33,588	37,175	37,053	**36,375**	38,445	40,138
Surplus/(deficit) before correction	4,581	1,568	(1,426)	**(4,714)**	(4,414)	(3,753)
Fiscal correction	-	-	-	**-**	2,000	2,000
Withdrawal from Sustainability Fund	-	-	1,426	**4,714**	2,414	1,753
Adjusted Surplus	4,581	1,568	-	**-**	-	-

[a] For fiscal policy purposes under the *Fiscal Responsibility Act*. Amounts in 2007-08 and 2008-09 have been restated to be comparable to 2009-10 presentation.

[b] Includes capital grants to local authorities and capital support for capital planning, accommodation, provincial highway systems work and government facilities preservation expense.

[c] Capital investment (not included in expense): 1,801 2,817 2,682 3,027 2,979 2,449

Sustainability Fund

(millions of dollars)

	2007-08 Actual	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target
Balance at start of year	13,744	15,125	**16,822**	10,359	6,648
Allocation (surplus)	4,581	-	**-**	-	-
Withdrawal					
For balanced budget	-	(1,426)	**(4,714)**	(2,414)	(1,753)
For capital investment cash requirements	(1,162)	(1,608)	**(847)**	(753)	(123)
Heritage Fund Inflation-proofing	(466)	-	**-**	(237)	(312)
Other savings allocation	(1,295)	(100)	**-**	-	-
Retained income of funds and agencies	(77)	2,970	**(223)**	(329)	(422)
Prior year 4th quarter results	682	928	**-**	-	-
Cash from 4th quarter results transferred after March 31	(928)	-	**-**	-	-
Other net cash adjustments	46	933	**(679)**	22	(107)
Assets at End of Year	15,125	16,822	**10,359**	6,648	3,931

Balance Sheet – Summary

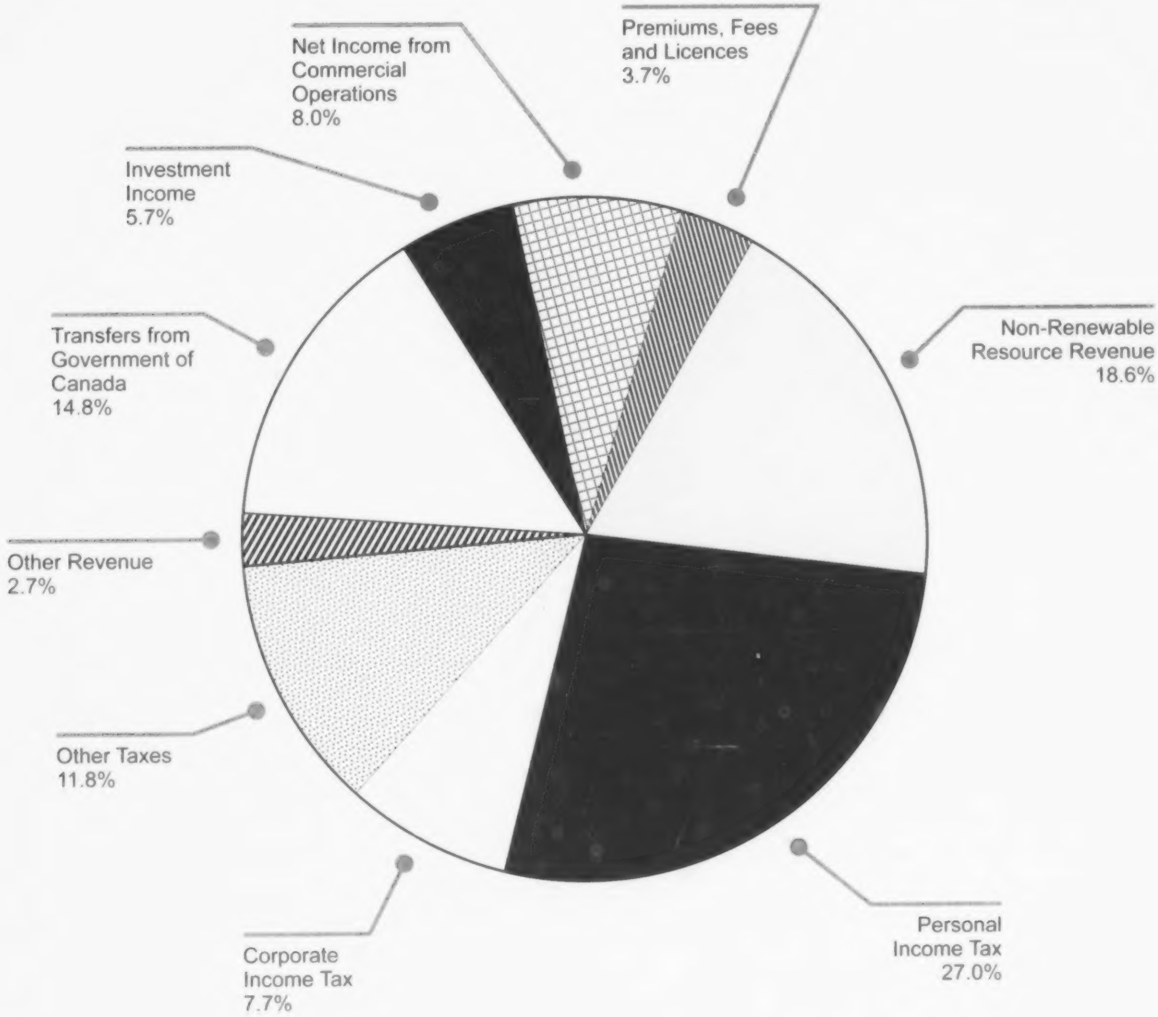
(millions of dollars)

	At March 31				
	2008 Actual	2009 Forecast	2010 Estimate	2011 Target	2012 Target
Financial Assets					
Sustainability Fund	15,125	16,822	**10,359**	6,648	3,931
Heritage Fund, endowments and other funds	29,802	27,187	**27,801**	28,455	28,840
Other financial assets	11,001	9,603	**10,078**	10,575	11,592
Total Financial Assets	55,928	53,612	**48,238**	45,678	44,363
Liabilities					
Liabilities for capital projects	439	916	**2,662**	4,283	6,204
Pension obligations	7,883	10,443	**10,936**	11,480	12,028
Other liabilities	16,079	16,698	**16,572**	16,996	17,160
Total Liabilities	24,401	28,057	**30,170**	32,759	35,392
Net Financial Assets	31,527	25,555	**18,068**	12,919	8,971
Capital Assets	14,140	16,126	**18,406**	20,597	22,244
Net Assets	45,667	41,681	**36,474**	33,516	31,215

Revenue
(millions of dollars)

	2007-08 Actual	2008-09 Budget	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target
Income Taxes						
Personal income tax	8,271	8,614	8,615	**8,559**	8,845	9,319
Corporate income tax	4,695	3,774	3,774	**2,447**	2,596	2,948
	12,966	12,388	12,389	**11,006**	11,441	12,267
Other Taxes						
Education property tax	1,393	1,450	1,462	**1,532**	1,562	1,594
Tobacco tax	845	890	840	**915**	935	955
Fuel tax	751	775	725	**725**	735	750
Freehold mineral rights tax	247	318	241	**200**	213	219
Insurance taxes	265	263	281	**298**	316	336
Tourism levy	72	74	75	**76**	79	81
	3,573	3,770	3,624	**3,746**	3,840	3,935
Non-Renewable Resource Revenue						
Natural gas and by-products royalty	5,199	5,684	6,009	**3,687**	3,937	3,845
Crude oil royalty	1,655	1,601	1,706	**1,249**	1,489	1,655
Synthetic crude oil and bitumen royalty	2,913	3,402	3,229	**1,008**	1,784	2,554
Coal royalty	14	14	34	**27**	26	28
Bonuses and sales of Crown leases	1,128	868	1,153	**631**	679	682
Rentals and fees	159	140	158	**143**	136	128
Royalty tax credit/drilling stimulus initiatives	(44)	-	-	**(842)**	(665)	-
	11,024	11,709	12,289	**5,903**	7,386	8,892
Transfers from Government of Canada						
Health transfers	1,356	1,604	2,087	**2,037**	2,123	2,283
Canada Social Transfer	866	1,121	1,207	**1,170**	1,225	1,273
Agriculture support programs	171	333	348	**374**	383	380
Other	655	737	650	**1,090**	1,178	657
	3,048	3,795	4,292	**4,671**	4,909	4,593
Investment Income						
Alberta Heritage Savings Trust Fund	882	835	(2,412)	**778**	879	958
Endowment Funds						
Medical Research	63	63	(258)	**51**	70	73
Science and Engineering Research	31	33	(142)	**29**	38	42
Scholarship	40	31	(147)	**20**	38	38
Alberta Capital Finance Authority	320	329	285	**294**	314	333
Sustainability Fund	631	390	465	**345**	220	200
Debt Retirement Account	91	62	70	**45**	38	26
Agriculture Financial Services Corporation	105	111	102	**108**	120	130
Other	251	150	165	**129**	156	140
	2,414	2,004	(1,872)	**1,799**	1,873	1,940
Net Income from Commercial Operations						
Alberta Gaming and Liquor Commission						
Gaming and lottery revenue	1,615	1,516	1,516	**1,492**	1,525	1,542
Liquor revenue	678	680	680	**880**	892	903
Alberta Treasury Branches	30	262	26	**148**	175	257
Other	8	7	7	**7**	9	21
	2,331	2,465	2,229	**2,527**	2,601	2,723
Premiums, Fees and Licences						
Health care insurance premiums	979	752	764	**-**	-	-
Motor vehicle licences	361	365	379	**366**	362	368
Crop and hail insurance premiums	146	171	213	**251**	256	269
Energy Resources Conservation Board levies	81	109	109	**111**	115	113
Land titles	78	80	64	**62**	61	59
Timber rentals and fees	35	38	33	**40**	41	41
Other	291	307	315	**326**	339	351
	1,971	1,822	1,877	**1,156**	1,174	1,201
Other						
Refunds of expense	136	109	121	**111**	112	112
Climate change and emissions management	40	92	92	**95**	78	112
Fines and penalties	98	110	111	**113**	114	115
Miscellaneous	568	479	475	**534**	503	495
	842	790	799	**853**	807	834
Total Revenue	38,169	38,743	35,627	**31,661**	34,031	36,385

2009–10 Revenue
$31.7 billion



Expense by Ministry

(millions of dollars)

	2007-08 Actual	2008-09 Budget	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target
Program [a]						
Legislative Assembly	86	91	90	**95**	98	114
Aboriginal Relations	95	117	151	**150**	155	151
Advanced Education and Technology	3,231	3,425	3,443	**3,143**	3,200	3,022
Agriculture and Rural Development	834	1,012	1,399	**1,139**	1,139	1,135
Children and Youth Services	973	1,098	1,098	**1,141**	1,164	1,168
Culture and Community Spirit	443	553	519	**309**	319	320
Education	5,616	5,848	5,839	**6,158**	5,907	6,067
Employment and Immigration	845	920	975	**1,011**	993	984
Energy	293	403	403	**501**	678	711
Environment	264	403	328	**348**	332	351
Executive Council	23	30	30	**36**	37	27
Finance and Enterprise	1,022	1,176	1,103	**1,283**	1,401	1,449
Health and Wellness	12,058	13,225	12,978	**12,935**	14,533	15,413
Housing and Urban Affairs	507	574	629	**554**	435	679
Infrastructure	826	963	815	**572**	600	629
International and Intergovernmental Relations	24	28	28	**26**	27	27
Justice	378	523	454	**485**	489	489
Municipal Affairs	507	691	718	**592**	1,386	1,473
Seniors and Community Supports	1,733	1,919	1,866	**1,974**	2,044	2,113
Service Alberta	284	295	295	**298**	312	317
Solicitor General and Public Security	515	582	584	**627**	653	667
Sustainable Resource Development	480	375	503	**344**	345	335
Tourism, Parks and Recreation	247	248	245	**193**	180	180
Transportation	2,051	2,199	2,293	**2,227**	1,906	2,143
Treasury Board	39	68	52	**244**	67	77
Unallocated provision/value review savings [b]	-	189	-	**(215)**	(215)	(215)
Total Program Expense	33,374	36,955	36,838	**36,170**	38,185	39,826
Debt Servicing Costs	214	220	215	**205**	260	312
Total Expense	33,588	37,175	37,053	**36,375**	38,445	40,138

[a] Includes operating expense, capital grants and other capital support, disaster/emergency assistance, natural gas rebates, amortization of capital assets, consumption of inventories and nominal sum disposals.

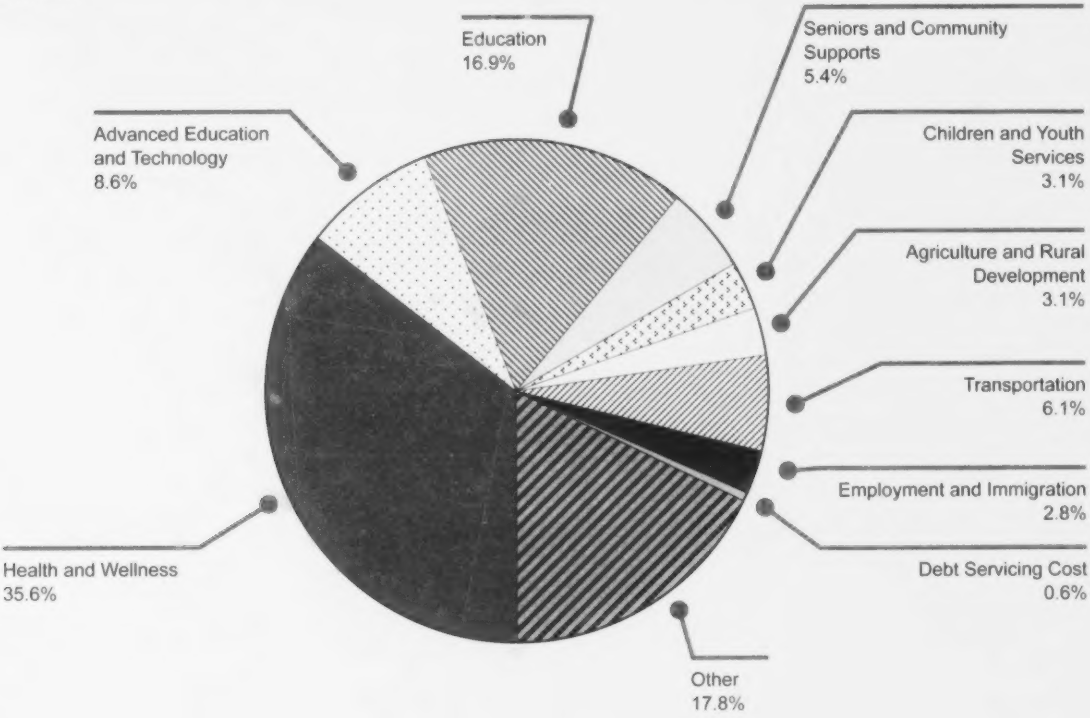
[b] Unallocated provision and the value review savings have not been allocated to any ministry.

Expense by Function

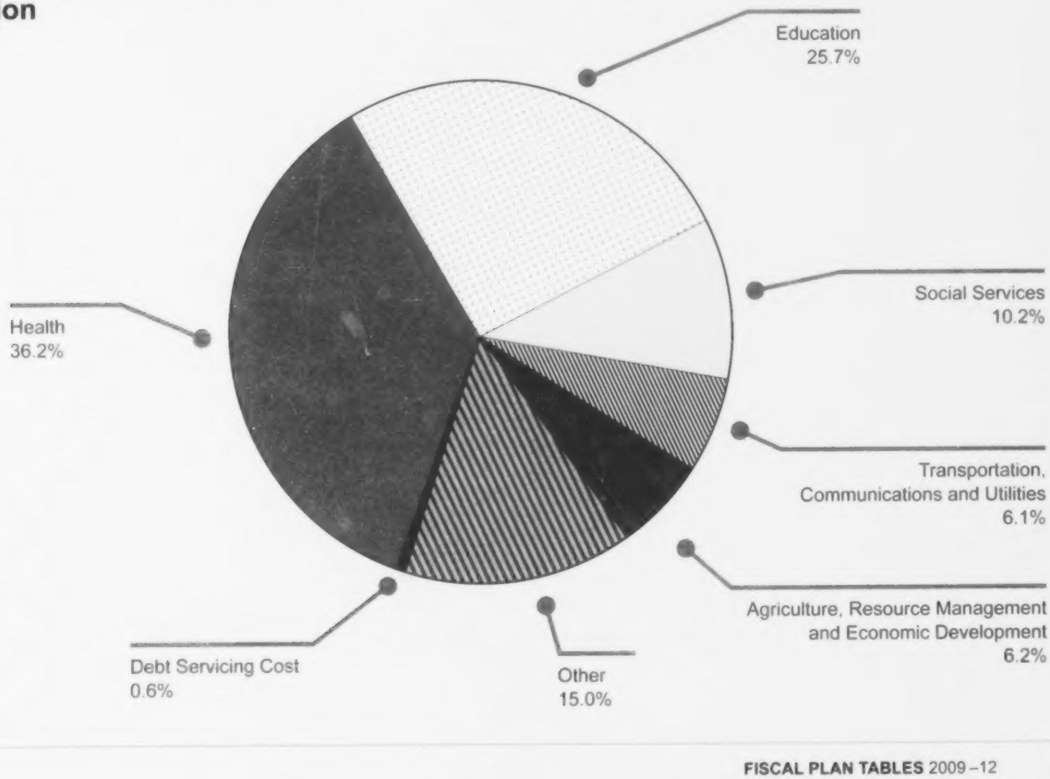
(millions of dollars)

	2007-08 Actual	2008-09 Budget	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target
Health	12,286	13,460	13,206	**13,179**	14,778	15,658
Education	8,886	9,315	9,288	**9,364**	9,158	9,139
Social Services	3,117	3,418	3,465	**3,709**	3,802	3,924
Transportation, Communications and Utilities	2,306	2,500	2,494	**2,204**	1,881	2,118
Agriculture, Resource Management and Economic Development	1,912	2,145	2,524	**2,264**	2,467	2,498
Protection of Persons and Property	1,293	1,382	1,454	**1,389**	1,425	1,443
Regional Planning and Development	755	1,061	1,048	**1,148**	1,790	1,880
Recreation and Culture	538	655	615	**373**	363	362
Housing	538	619	655	**502**	389	590
Environment	346	483	407	**448**	403	422
General Government	1,397	1,917	1,682	**1,590**	1,729	1,792
Debt Servicing Costs	214	220	215	**205**	260	312
Total Expense	33,588	37,175	37,053	**36,375**	38,445	40,138

2009 –10 Expense by Ministry
$36.4 billion



2009 –10 Expense by Function
$36.4 billion



2009–10 Ministry Expense by Function

(millions of dollars)

	Health	Education	Social Services	Transportation [a]	Economic Development [b]	Protection of Persons and Property	Regional Planning and Development	Recreation and Culture	Housing	Environment	General Government	Debt Servicing Costs	Total Expense
Legislative Assembly	-	-	-	-	-	-	-	-	-	-	95	-	95
Aboriginal Relations	-	-	-	-	-	-	150	-	-	-	-	-	150
Advanced Education and Technology	-	2,933	-	-	210	-	-	-	-	-	-	-	3,143
Agriculture and Rural Development	-	-	-	-	1,139	-	-	-	-	-	-	53	1,192
Children and Youth Services	-	-	1,141	-	-	-	-	-	-	-	-	-	1,141
Culture and Community Spirit	-	-	-	-	83	9	-	217	-	-	-	-	309
Education	-	6,158	-	-	-	-	-	-	-	-	-	-	6,158
Employment and Immigration	45	266	540	-	94	56	9	1	-	-	-	-	1,011
Energy	-	-	-	35	370	-	-	-	-	43	53	-	501
Environment	-	-	-	-	-	-	-	-	-	348	-	-	348
Executive Council	-	-	-	-	-	-	-	-	-	-	36	-	36
Finance and Enterprise	88	2	-	-	50	42	310	-	-	-	791	112	1,395
Health and Wellness	12,935	-	-	-	-	-	-	-	-	-	-	-	12,935
Housing and Urban Affairs	-	-	94	-	-	-	9	-	451	-	-	19	573
Infrastructure	1	5	-	4	-	-	-	-	-	27	535	-	572
International and Intergovernmental Relations	-	-	-	-	16	-	-	-	-	-	10	-	26
Justice	-	-	80	-	-	405	-	-	-	-	-	-	485
Municipal Affairs	-	-	-	-	-	29	489	32	-	-	42	-	592
Seniors and Community Supports	110	-	1,813	-	-	-	-	-	51	-	-	-	1,974
Service Alberta	-	-	14	-	3	101	-	-	-	-	180	-	298
Solicitor General and Public Security	-	-	27	-	-	598	-	2	-	-	-	-	627
Sustainable Resource Development	-	-	-	-	211	105	-	-	-	28	-	-	344
Tourism, Parks and Recreation	-	-	-	-	72	-	-	121	-	-	-	-	193
Transportation	-	-	-	2,165	16	44	-	-	-	2	-	21	2,248
Treasury Board	-	-	-	-	-	-	181	-	-	-	63	-	244
Value review savings	-	-	-	-	-	-	-	-	-	-	(215)	-	(215)
Total Expense	**13,179**	**9,364**	**3,709**	**2,204**	**2,264**	**1,389**	**1,148**	**373**	**502**	**448**	**1,590**	**205**	**36,375**

[a] Transportation, Communications and Utilities.

[b] Agriculture, Resource Management and Economic Development.

2009–10 Ministry Expense by Object

(millions of dollars)

	Salaries, Wages, and Employee Benefits	Supplies and Services	Grants to Others	Internal Government Transfers	Financial Transactions and Others	Amortization of Capital Assets	Intra-Ministry Consolidation Adjustments	Ministry Expenses	Inter-Ministry Consolidation Adjustments	Total Expense
Legislative Assembly	55	22	-	-	17	1	-	95	-	95
Aboriginal Relations	10	5	135	-	-	-	-	150	-	150
Advanced Education and Technology	124	96	2,883	46	37	8	(46)	3,148	(5)	3,143
Agriculture and Rural Development	151	61	147	387	819	14	(387)	1,192	-	1,192
Children and Youth Services	247	537	353	786	-	4	(786)	1,141	-	1,141
Culture and Community Spirit	52	38	217	46	-	2	(46)	309	-	309
Education	66	87	6,004	-	2	1	-	6,160	(2)	6,158
Employment and Immigration	175	169	664	-	-	3	-	1,011	-	1,011
Energy	198	80	203	69	-	20	(69)	501	-	501
Environment	102	55	169	-	-	22	-	348	-	348
Executive Council	23	13	-	-	-	-	-	36	-	36
Finance and Enterprise	155	121	141	824	1,146	8	(807)	1,588	(193)	1,395
Health and Wellness	76	130	12,651	-	2	76	-	12,935	-	12,935
Housing and Urban Affairs	17	7	506	65	19	24	(65)	573	-	573
Infrastructure	71	386	40	-	-	78	-	575	(3)	572
International and Intergovernmental Relations	21	5	-	-	-	-	-	26	-	26
Justice	301	79	75	-	22	8	-	485	-	485
Municipal Affairs	44	22	524	-	-	2	-	592	-	592
Seniors and Community Supports	145	433	1,395	594	1	1	(595)	1,974	-	1,974
Service Alberta	147	155	-	-	-	41	-	343	(45)	298
Solicitor General and Public Security	247	263	115	1,498	-	3	(2)	2,124	(1,497)	627
Sustainable Resource Development	182	129	17	10	1	15	(7)	347	(3)	344
Tourism, Parks and Recreation	50	106	23	82	1	13	(82)	193	-	193
Transportation	83	435	1,322	-	21	387	-	2,248	-	2,248
Treasury Board	36	12	193	-	2	1	-	244	-	244
Value review savings	-	-	-	-	-	-	-	(215)	-	(215)
Total Expense	**2,778**	**3,446**	**27,777**	**4,407**	**2,090**	**732**	**(2,892)**	**38,123**	**(1,748)**	**36,375**

Operating Expense by Ministry[a]

(millions of dollars)

	2007-08 Actual	2008-09 Budget	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target
Legislative Assembly	84	90	89	**94**	97	113
Aboriginal Relations	95	117	151	**150**	155	151
Advanced Education and Technology	2,326	2,582	2,563	**2,651**	2,713	2,779
Agriculture and Rural Development	798	959	1,044	**1,083**	1,090	1,086
Children and Youth Services	971	1,079	1,079	**1,124**	1,145	1,164
Culture and Community Spirit	228	281	277	**262**	273	274
Education	4,997	5,223	5,232	**5,397**	5,487	5,574
Employment and Immigration	843	913	968	**1,007**	990	981
Energy	275	384	384	**381**	358	291
Environment	228	224	211	**213**	211	205
Executive Council	23	30	30	**36**	37	27
Finance and Enterprise	1,008	1,162	1,091	**1,269**	1,385	1,432
Health and Wellness	10,779	11,851	12,013	**12,571**	13,302	14,091
Housing and Urban Affairs	186	219	271	**233**	219	219
Infrastructure	378	405	410	**418**	441	468
International and Intergovernmental Relations	24	28	28	**26**	27	27
Justice	371	515	446	**478**	481	481
Municipal Affairs	187	228	223	**235**	234	234
Seniors and Community Supports	1,662	1,822	1,769	**1,923**	1,993	2,062
Service Alberta	254	257	257	**257**	260	260
Solicitor General and Public Security	513	575	581	**624**	650	664
Sustainable Resource Development	283	299	304	**316**	318	308
Tourism, Parks and Recreation	144	160	161	**170**	166	166
Transportation	382	486	485	**491**	525	535
Treasury Board	38	52	51	**50**	51	52
Total Ministry Operating Expense	**27,077**	**29,941**	**30,118**	**31,459**	**32,608**	**33,644**
Value review savings	-	-	-	**(215)**	(215)	(215)
Total Operating Expense	27,077	29,941	30,118	**31,244**	32,393	33,429

[a] Excludes debt servicing costs, capital grants and other capital support, disaster/emergency assistance, natural gas rebates, amortization of capital assets, consumption of inventories and nominal sum disposals.

Debt Servicing Costs

(millions of dollars)

	2007-08 Actual	2008-09 Budget	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target
Agriculture and Rural Development						
Agriculture Financial Services Corporation	46	53	53	**53**	60	64
Education						
Financing costs for Alberta Schools Alternative Procurement (P3s)[a]	-	-	-	-	17	22
Finance and Enterprise						
General government	138	128	123	**112**	141	170
Housing and Urban Affairs						
Alberta Social Housing Corporation	22	21	21	**19**	17	16
Transportation						
Financing costs for government-owned capital (P3s)[a]	8	18	18	**21**	25	40
Total Debt Servicing Costs	214	220	215	**205**	260	312

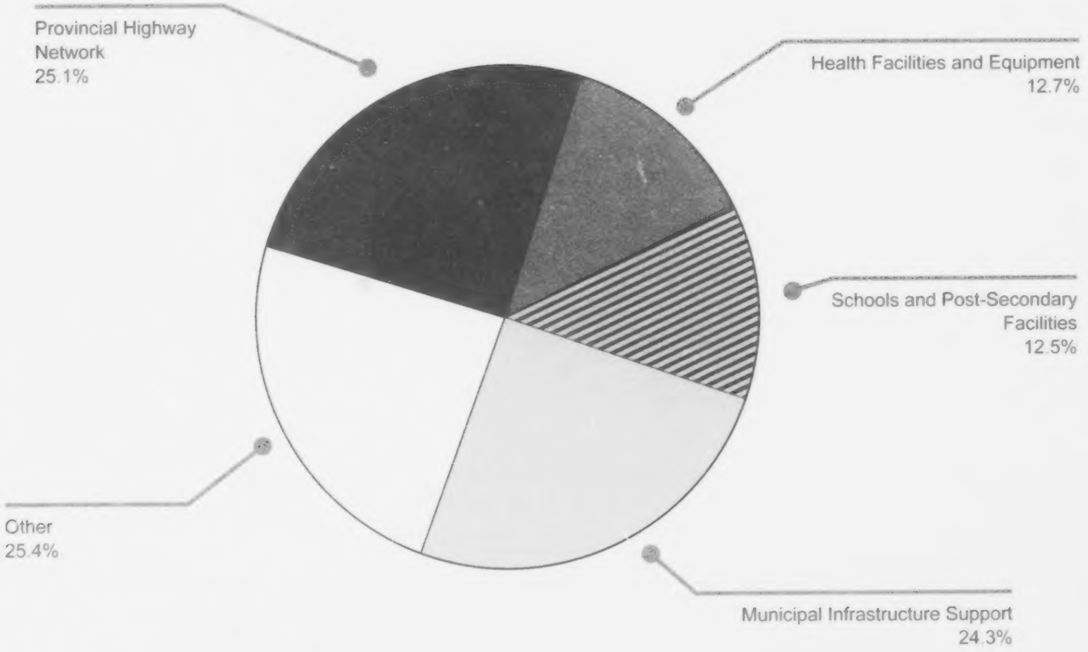
[a] P3s are public-private partnerships.

Capital Plan

(millions of dollars)

	2007-08 Actual	2008-09 Budget	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target	2009-12 Total
Municipal infrastructure support	1,526	1,626	1,628	**1,491**	1,965	2,162	5,618
Provincial highway network	1,388	1,919	2,020	**1,842**	2,136	1,828	5,806
Health facilities and equipment	1,290	1,375	979	**369**	1,255	1,327	2,951
Schools	620	624	609	**761**	423	493	1,677
Post-secondary facilities	906	841	880	**490**	485	241	1,216
Community facilities	359	526	365	**80**	65	115	260
Water and wastewater management	158	260	346	**254**	188	273	715
Housing	349	409	413	**328**	223	467	1,018
Government facilities, equipment and other capital	375	832	702	**1,352**	1,104	857	3,313
Unallocated provision	-	309	-	**212**	113	255	580
Total Capital Plan	6,971	8,721	7,942	**7,179**	7,957	8,018	23,154

2009–12 Capital Plan
$23.2 billion



Capital Investment in Government-Owned Capital[a]

(millions of dollars)

	2007-08 Actual	2008-09 Budget	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target
Legislative Assembly	2	2	2	**2**	3	2
Advanced Education and Technology	12	10	10	**16**	15	11
Agriculture and Rural Development	13	13	19	**14**	11	10
Children and Youth Services	10	2	2	**2**	2	2
Culture and Community Spirit	4	3	6	**3**	3	3
Education	2	1	5	**1**	1	1
Employment and Immigration	4	4	7	**4**	4	4
Energy	25	23	22	**25**	28	25
Environment	1	3	3	**2**	2	2
Finance and Enterprise	7	14	11	**12**	18	10
Health and Wellness	53	70	81	**74**	72	62
Housing and Urban Affairs	-	-	2	**-**	-	-
Infrastructure	182	470	294	**599**	422	186
Justice	5	4	3	**4**	4	3
Municipal Affairs	1	1	2	**2**	1	1
Seniors and Community Supports	2	5	5	**1**	1	1
Service Alberta	40	42	76	**117**	83	10
Solicitor General and Public Security	5	24	6	**36**	11	17
Sustainable Resource Development	20	33	45	**26**	16	16
Tourism, Parks and Recreation	50	36	40	**18**	18	18
Transportation	1,362	1,936	2,041	**1,857**	2,151	1,810
Treasury Board	1	1	-	**-**	-	-
Unallocated provision	-	120	-	**212**	113	255
Total Capital Investment	1,801	2,817	2,682	**3,027**	2,979	2,449

[a] Includes inventory purchases. Not included in expense. Aboriginal Relations, Executive Council, and International and Intergovernmental Relations have no capital investment or the amount rounds to less than $1 million.

Grants to Local Authorities for Capital Purposes and Other Capital Support[a]

(millions of dollars)

	2007-08 Actual	2008-09 Budget	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target
Advanced Education and Technology	900	835	874	**484**	479	235
Agriculture and Rural Development	24	40	37	**42**	33	33
Children and Youth Services	-	15	15	**14**	15	-
Culture and Community Spirit	214	270	240	**45**	44	44
Education	617	624	606	**760**	419	492
Employment and Immigration	-	4	4	**-**	-	-
Energy	4	2	2	**100**	300	400
Environment	16	157	95	**112**	99	124
Finance and Enterprise	7	6	6	**6**	6	6
Health and Wellness	1,237	1,305	898	**288**	1,157	1,258
Housing and Urban Affairs	279	312	315	**278**	173	417
Infrastructure	35	123	68	**67**	67	51
Municipal Affairs	281	461	463	**355**	1,150	1,237
Seniors and Community Supports	70	96	96	**51**	50	50
Solicitor General and Public Security	-	5	1	**-**	-	-
Tourism, Parks and Recreation	92	72	72	**9**	-	-
Transportation	1,394	1,373	1,468	**1,348**	971	1,198
Treasury Board	-	15	-	**193**	15	24
Unallocated provision	-	189	-	**-**	-	-
Total Support	5,170	5,904	5,260	**4,152**	4,978	5,569

[a] Included in program expense. Includes capital support for provincial capital planning, accommodation, provincial highway systems work and government facilities preservation expense. Aboriginal Relations, Executive Council, International and Intergovernmental Relations, Justice, Service Alberta, and Sustainable Resource Development have no capital grants/support or the amount rounds to less than $1 million.

Comparison of the Capital Plan and Expense for Capital Purposes

(millions of dollars)

	2007-08 Actual	2008-09 Budget	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target
Capital Plan						
Capital grants to local authorities	5,103	5,781	5,142	**4,079**	4,905	5,485
Other capital support[a]	67	123	118	**73**	73	84
Capital investment in government-owned projects	1,801	2,817	2,682	**3,027**	2,979	2,449
Total Capital Plan	6,971	8,721	7,942	**7,179**	7,957	8,018
Expense for Capital Purposes[b]						
Capital grants to local authorities	5,103	5,781	5,142	**4,079**	4,905	5,485
Other capital support[a]	67	123	118	**73**	73	84
Amortization of government-owned capital	526	637	630	**706**	748	762
Nominal sum disposals	48	98	86	**68**	66	66
Total Expense for Capital Purposes	5,744	6,639	5,976	**4,926**	5,792	6,397

[a] Includes capital support for provincial capital planning, accommodation, provincial highway systems work, and government facilities preservation expense.

[b] Included in program expense.

Capital Amortization for Government-Owned Capital[a]

(millions of dollars)

	2007-08 Actual	2008-09 Budget	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target
Legislative Assembly	2	1	1	**1**	1	1
Advanced Education and Technology	5	8	6	**8**	8	8
Agriculture and Rural Development	12	13	13	**14**	16	16
Children and Youth Services	2	4	4	**4**	4	4
Culture and Community Spirit	1	2	2	**2**	2	2
Education	2	1	1	**1**	1	1
Employment and Immigration	2	3	3	**3**	3	3
Energy	14	17	17	**20**	20	20
Environment	20	22	22	**22**	22	22
Finance and Enterprise	7	8	6	**8**	10	11
Health and Wellness	42	69	67	**76**	74	64
Housing and Urban Affairs	23	24	24	**24**	24	24
Infrastructure	60	72	72	**77**	82	100
Justice	7	8	8	**8**	8	8
Municipal Affairs	2	2	2	**2**	2	2
Seniors and Community Supports	1	1	1	**1**	1	1
Service Alberta	30	38	38	**41**	52	57
Solicitor General and Public Security	2	2	2	**3**	3	3
Sustainable Resource Development	9	13	13	**15**	16	16
Tourism, Parks and Recreation	11	13	12	**13**	13	13
Transportation	271	315	315	**362**	385	385
Treasury Board	1	1	1	**1**	1	1
Total Capital Amortization	526	637	630	**706**	748	762

[a] Includes consumption of inventories. Included in expense. Aboriginal Relations, Executive Council, and International and Intergovernmental Relations have no capital amortization or the amount rounds to less than $1 million.

Nominal Sum Disposals[a]

(millions of dollars)

	2007-08 Actual	2008-09 Budget	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target
Housing and Urban Affairs	19	19	19	**19**	19	19
Infrastructure	24	38	38	**10**	10	10
Sustainable Resource Development	1	13	4	**13**	11	11
Tourism, Parks and Recreation	-	3	-	**1**	1	1
Transportation	4	25	25	**25**	25	25
Total Nominal Sum Disposals	48	98	86	**68**	66	66

[a] Nominal sum disposals are assets that have been sold or disposed of for an amount substantially lower than fair market value. The fair market value less any proceeds from the disposal of the asset is treated as a grant-in-kind expense.

Liabilities for Capital Projects

(millions of dollars)

	2007-08 Actual	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target
Opening balance	251	439	**916**	2,662	4,283
Alternative financing (P3s)[a]	190	482	**653**	534	842
Direct borrowing	-	-	**1,100**	1,100	1,100
Principal repayment	(2)	(5)	**(7)**	(13)	(21)
Total Liabilities for Capital Projects	439	916	**2,662**	4,283	6,204

[a] P3s are public-private partnerships.

Retained Income of Funds and Agencies

(millions of dollars)

	2007-08 Actual	2008-09 Budget	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target
Alberta Treasury Branches	30	201	8	**114**	135	198
Agriculture Financial Services Corporation	52	106	174	**165**	181	189
Heritage Fund	-	-	(2,484)	**-**	-	-
Medical Research	(9)	(21)	(341)	**(38)**	(19)	(16)
Science and Engineering Research	(5)	(8)	(177)	**(7)**	-	(1)
Scholarship	13	(8)	(182)	**(20)**	(2)	(3)
Alberta Enterprise Corporation	-	2	2	**2**	2	1
Alberta Cancer Prevention Legacy Fund	(4)	(7)	(12)	**(15)**	(13)	(10)
Energy Innovation Fund	(78)	(64)	(64)	**-**	-	-
Alberta Gaming and Liquor Commission equity	25	10	8	**-**	-	-
Other	53	(67)	98	**22**	45	64
Total Retained Income of Funds and Agencies	77	144	(2,970)	**223**	329	422

Cash Adjustments

(millions of dollars)

	2007-08 Actual	2008-09 Budget	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target
Cash adjustments						
Energy royalties	18	(222)	798	**(635)**	61	(53)
Student loans	(40)	(44)	(35)	**(50)**	(39)	(39)
Other	68	(59)	170	**6**	-	(15)
Total Cash Adjustments	46	(325)	933	**(679)**	22	(107)

Capital Investment Cash Requirements

(millions of dollars)

	2007-08 Actual	2008-09 Budget	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target
Requirements						
Capital investment	1,801	2,817	2,682	**3,027**	2,979	2,449
Principal repayment for alternatively financed projects	2	5	5	**7**	13	21
Total Requirements	1,803	2,822	2,687	**3,034**	2,992	2,470
Sources						
Capital amortization	526	637	630	**706**	748	762
Net book value of capital asset disposals	45	66	66	**41**	40	40
Alternatively financed capital investment	190	45	383	**340**	351	445
Direct borrowing	-	-	-	**1,100**	1,100	1,100
Other adjustments	(120)	-	-	**-**	-	-
Total Sources	641	748	1,079	**2,187**	2,239	2,347
Capital Investment Cash Requirements	1,162	2,074	1,608	**847**	753	123

Balance Sheet Details

(millions of dollars)

	At March 31				
	2008 Actual	2009 Forecast	**2010 Estimate**	2011 Target	2012 Target
Financial Assets					
Sustainability Fund	15,125	16,822	**10,359**	6,648	3,931
Alberta Heritage Savings Trust Fund	16,412	13,928	**13,928**	14,165	14,477
Alberta Heritage Foundation for Medical Research	1,511	1,170	**1,132**	1,113	1,098
Alberta Heritage Science and Engineering Research	831	653	**647**	647	646
Alberta Heritage Scholarship	817	635	**615**	613	610
Alberta Cancer Prevention Legacy Fund	487	475	**460**	447	437
Alberta Enterprise Corporation	-	102	**104**	106	107
Debt Retirement Account	1,794	1,175	**1,107**	843	503
Self-supporting lending organizations					
Alberta Capital Finance Authority	5,878	6,724	**7,583**	8,184	8,524
Agriculture Financial Services Corporation	2,072	2,325	**2,225**	2,337	2,438
Other financial assets					
Equity in commercial enterprises	2,262	2,250	**2,360**	2,490	2,694
Student loans	226	262	**292**	316	341
Other cash, marketable securities and accounts receivable	8,513	7,091	**7,426**	7,769	8,557
Total Financial Assets	55,928	53,612	**48,238**	45,678	44,363
Liabilities					
Accumulated debt					
General Revenue Fund	2,446	1,965	**1,965**	1,800	1,542
Alberta Social Housing Corporation	300	278	**254**	229	202
School construction loans	256	204	**160**	123	91
Less General Revenue Fund holdings of provincial corporations' debt	(1,218)	(1,287)	**(1,287)**	(1,324)	(1,347)
Accumulated debt	1,784	1,160	**1,092**	828	488
Pension obligations	7,883	10,443	**10,936**	11,480	12,028
Self-supporting lending organizations					
Alberta Capital Finance Authority	5,878	6,724	**7,583**	8,184	8,524
Agriculture Financial Services Corporation	1,373	1,784	**1,504**	1,578	1,637
Liabilities for capital projects	439	916	**2,662**	4,283	6,204
Other liabilities					
Accounts and interest payable	6,821	6,800	**6,168**	6,178	6,283
Guarantees, indemnities and remissions	3	8	**15**	15	15
Other accrued liabilities	220	222	**210**	213	213
Total Liabilities	24,401	28,057	**30,170**	32,759	35,392
Net Financial Assets	31,527	25,555	**18,068**	12,919	8,971
Capital assets	14,140	16,126	**18,406**	20,597	22,244
Net Assets	45,667	41,681	**36,474**	33,516	31,215
Adjustment for pension obligations	7,883	10,443	**10,936**	11,480	12,028
Net Assets for Fiscal Policy Purposes[a]	53,550	52,124	**47,410**	44,996	43,243

[a] Under the *Fiscal Responsibility Act*. Excludes pension liabilities and the equity in SUCH sector organizations.

Capital Assets

(millions of dollars)

	2007-08 Actual	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target
Net book value at start of year	12,429	14,140	**16,126**	18,406	20,597
Capital investment	1,801	2,682	**3,027**	2,979	2,449
Capital amortization	(526)	(630)	**(706)**	(748)	(762)
Net book value of capital asset disposals	(45)	(66)	**(41)**	(40)	(40)
Adjustment[a]	481	-	**-**	-	-
Net Book Value of Capital Assets at End of Year	14,140	16,126	**18,406**	20,597	22,244

[a] Relates mainly to a change in the way the province recognizes highway repaving upgrade projects.

Accumulated Debt

(millions of dollars)

	2007-08 Actual	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target
Accumulated debt at start of year	2,030	1,784	**1,160**	1,092	828
Repayment of debt maturities	(246)	(624)	**(68)**	(264)	(340)
Accumulated debt at end of year	1,784	1,160	**1,092**	828	488
Less Debt Retirement Account	1,794	1,175	**1,107**	843	503
Accumulated Debt less Debt Retirement Account[a]	(10)	(15)	**(15)**	(15)	(15)

[a] The assets in the Debt Retirement Account exceed unmatured accumulated debt by $15 million.

Pension Obligations

(millions of dollars)

	At March 31					
	2008 Actual	2009 Budget	2009 Forecast	2010 Estimate	2011 Target	2012 Target
Teachers' Pension Plan - post-1992 Unfunded Liability	79	90	160	**184**	289	394
Teachers' Pension Plan - pre-1992 Unfunded Liability[a]	6,776	6,999	8,871	**9,062**	9,256	9,453
Universities Academic Pension Plan	205	214	601	**612**	624	638
Public Service Management (Closed) Pension Plan[b]	699	671	584	**528**	467	402
Members of the Legislative Assembly Pension Plan[b]	50	49	44	**41**	37	33
Special Forces Pension Plan	50	53	101	**111**	125	140
Management Employees Pension Plan	20	9	71	**249**	366	485
Provincial Judges and Masters in Chambers Pension Plan	4	4	11	**11**	11	11
Public Service Pension Plan	-	(19)	-	**138**	305	472
Total Pension Obligations	7,883	8,070	10,443	**10,936**	11,480	12,028

[a] The Government assumed Teachers' Pension Plan pre-1992 unfunded liability estimated at $2.2 billion in the 2007-08 fiscal year.

[b] Membership for the plans is closed and pensionable service is no longer being accrued.

General Revenue Fund Term Debt Maturities[a]

(millions of dollars)

	Par Amount (Cdn$ millions)	Coupon Rate (%)	Maturity Date
2008-09 Term Debt Maturities			
1998 Canadian medium-term note	50	5.80	June 5, 2008
1998 Canadian debenture	500	5.00	December 16, 2008
Total	550		
2009-10 Term Debt Maturities	NO GENERAL REVENUE FUND TERM DEBT MATURITIES		
2010-11 Term Debt Maturities			
1991 Canada Pension Plan debenture	202	10.45	March 1, 2011
2011-12 Term Debt Maturities			
1992 Canada Pension Plan debenture	281	9.92	March 2, 2012
2012-13 Term Debt Maturities			
1993 Canada Pension Plan debenture	196	9.37	March 1, 2013

[a] Does not include principal repayment on General Revenue Fund notes on-lent to provincial corporations (Alberta Financial Services Corporation and Alberta Social Housing Corporation). There is no more direct General Revenue Fund debt left after March 1, 2013. Other components of accumulated debt at March 31, 2009 include:

- Alberta Social Housing Corporation debt of $278 million, $173 million of which remains to be repaid from 2013-2030.
- School construction loans of $204 million, $66 million of which remains to be repaid from 2014-2020.

The Debt Retirement Account has assets to repay all these amounts.

Loans and Advances[a]

(millions of dollars)

	At March 31	
	2008 Actual	2009 Forecast
Loans and Advances		
Agriculture Financial Services Act	1,076	1,270
Student Financial Assistance Act	300	353
Alberta Heritage Savings Trust Fund Act		
Ridley Grain Ltd.	182	178
Vencap Acquisition Corporation	2	3
Farm Credit Stability Act	2	1
Alberta Housing Act	6	4
Financial Administration Act		
Accountable advances	12	11
	1,580	1,820
Allowance for doubtful loans, advances, implemented guarantees and indemnities		
Ridley Grain Ltd.	(90)	(44)
Student Loan Relief Completion Payments	(47)	(50)
Other	(54)	(60)
	(191)	(154)
Total Loans and Advances	1,389	1,666

[a] When a loan is considered to be impaired, accrued interest is no longer included in income. This does not alter the borrower's obligation to pay all accrued interest.

Net Financial Requirements[a]

(millions of dollars)

	2007-08 Actual	2008-09 Budget	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target
Accumulated Debt Financing Requirements						
General Revenue Fund term debt maturities	166	550	550	**-**	202	281
School construction loans repayments	59	52	52	**44**	37	32
Alberta Social Housing Corporation debt repayment	21	22	22	**24**	25	27
Total	246	624	624	**68**	264	340
Direct borrowing for capital purposes	-	-	-	**1,100**	1,100	1,100
Agriculture Financial Services Corporation's term borrowing	195	285	334	**75**	280	180
Gross financing requirements	441	909	958	**1,243**	1,644	1,620
Less cash applied to accumulated debt repayment	(246)	(624)	(624)	**(68)**	(264)	(340)
Net Term Debt Financing Requirements	195	285	334	**1,175**	1,380	1,280

[a] Does not include financing requirements of the Alberta Capital Finance Authority and Alberta Treasury Branches.

Guarantees

(millions of dollars)

	At March 31 2008 Actual	At March 31 2009 Forecast
Guarantees		
Student Financial Assistance Act	11	8
Alberta Housing Act	16	13
Feeder Associations	51	50
Agriculture Financial Services Act	19	16
Farm Credit Stability Act	1	1
Securities Act	2	2
University of Calgary	1	1
	101	91
Provision for loan defaults under guarantee	(2)	(2)
Total Guarantees	99	89

2009–10 Allocation of Lottery Fund Revenue

(thousands of dollars)

Lottery Fund Revenue [a]	**1,497,927**
Aboriginal Relations	
First Nations Development Fund	110,000
First Nations Relations	200
Advanced Education and Technology	
Capital Maintenance and Renewal	65,000
Capital Expansion and Upgrading	40,000
Agriculture and Rural Development	
Agricultural Service Boards	10,600
Agricultural Societies	8,670
Agriculture Initiatives	1,450
Children and Youth Services	
Family and Community Support Services	45,000
Fetal Alcohol Spectrum Disorder Initiatives	12,000
Prevention of Family Violence and Bullying	6,500
Culture and Community Spirit	
Community Facility Enhancement Program	38,000
Horse Racing and Breeding Renewal Program	35,000
Alberta Foundation for the Arts	34,834
Community Initiatives Program	28,000
Major Fairs and Exhibitions	23,360
Community Spirit Donation Grant Program	20,000
Film and Television Production	19,690
Alberta Historical Resources Foundation	9,507
Human Rights, Citizenship and Multiculturalism	
Education Fund	2,025
Bingo Associations	8,000
Arts	750
Other Initiatives	8,500
Education	
Public and Separate Schools Support - Operational Funding	60,800
School Facilities Infrastructure	60,300
Basic Education Program Initiative - High Speed Network	8,000
Employment and Immigration	
Summer Temporary and Other Employment Programs	7,413
Settlement and Integration Services and Enhanced Language Training	4,574
Environment	
Conservation and Education	500
Health and Wellness	
Alberta Health Services	257,034
Human Tissue and Blood Services	125,000
Community-Based Health Services	10,000
Municipal Affairs	
Municipal Sustainability Operating Grants	26,000
Solicitor General and Public Security	
Gaming Research	1,600
Tourism, Parks and Recreation	
Alberta Sport, Recreation, Parks and Wildlife Foundation	25,120
Recreation and Sports Facilities Grants	9,000
Hosting Major Athletic Events	500
Transportation	
Provincial Highway Rehabilitation	120,000
Municipal Water Wastewater Program/ Water for Life	100,000
Provincial Highway Preservation	50,000
Rural Transportation Partnerships	50,000
Alberta Cities Transportation Partnerships	30,000
Streets Improvement Program	25,000
Total Lottery Fund Allocation	**1,497,927**

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[a] Includes $6 million of interest income.

Full-Time Equivalent Employment

	2008-09 Budget[a]	2009-10 Estimate	Change	Main Reasons for Change
Legislative Assembly	539	**542**	3	Auditor General
Aboriginal Relations	94	**106**	12	First Nations and Métis relations/consultation
Advanced Education and Technology	1,202	**1,202**	-	
Agriculture and Rural Development	1,751	**1,660**	(91)	Value review and Alberta Livestock and Meat Agency (ALMA)
Children and Youth Services	2,917	**2,917**	-	
Culture and Community Spirit	545	**545**	-	
Education	701	**701**	-	
Employment and Immigration	2,020	**2,020**	-	
Energy	1,819	**1,819**	-	
Environment	891	**891**	-	
Executive Council	180	**180**	-	
Finance and Enterprise	1,196	**1,276**	80	AIMCo/Alberta Pensions Administration
Health and Wellness[b]	1,584	**854**	(730)	AADAC staff becoming Alberta Health Services Board employees
Housing and Urban Affairs	144	**149**	5	Community Development Advisory Board
Infrastructure	830	**830**	-	
International and Intergovernmental Relations	167	**167**	-	
Justice	2,922	**2,980**	58	Prosecution and court resources/medical examiner
Municipal Affairs	415	**420**	5	MSI/Accountability framework implementation
Seniors and Community Supports	2,000	**2,000**	-	
Service Alberta	1,775	**1,775**	-	
Solicitor General and Public Security	3,056	**3,143**	87	Safe Communities initiatives
Sustainable Resource Development	2,001	**2,001**	-	
Tourism, Parks and Recreation[c]	595	**651**	56	Travel Alberta/ministry support services
Transportation	964	**964**	-	
Treasury Board	335	**335**	-	
Total	30,643	**30,128**	(515)	

[a] The 2008-09 Budget has been increased by 102 FTEs to be on comparable basis with the 2009-10 Estimate.

[b] Most of the change for Health and Wellness is due to 720 AADAC staff becoming employees of the Alberta Health Services Board in 2009-10.

[c] An increase of 42 FTEs relates to the amalgamation of Travel Alberta International into the new Travel Alberta Corporation. These positions are fully funded and previously existed prior to the amalgamation.

Premiums, Fees and Licences Changes

	2008-09	2009-10
Culture and Community Spirit		
Southern Alberta Jubilee Auditorium Parking Rates		
Daytime /Non-event	$4.00	$7.00
Event	$4.00	$5.00
Finance and Enterprise		
Insurance Premiums Fee		
Cost recovery for administration of *Insurance Act*		
(fee based on an insurer's share of direct premiums written)	n/a	Varies
Health and Wellness		
Non-group health coverage monthly premiums		
Single	$20.50	$41.00
Family	$41.00	$82.00
Tourism, Parks and Recreation		
Canmore Nordic Centre - Rental and reservation of facilities per event		
Café South		
Non-Profit Organizations	$161	$107
Café North		
Non-Profit Organizations	n/a	$150
Other	n/a	$300
Banquet Room		
Non-Profit Organizations	n/a	$250
Other	n/a	$500
Pre-Function Area		
Non-Profit Organizations	n/a	$50
Other	n/a	$100
Heritage Appreciation Fee		
Distance Education Video Presentation (per presentation - up to one hour in length)	n/a	$75 -$175

Major Provincial Tax Rates, 2009

		AB	BC	SK	MB	ON	QC	NB	NS	PE	NL
Personal Income Tax											
Statutory rate range											
- lowest rate	(%)	10.00	5.06	11.00	10.80	6.05	16.00[a]	9.65	8.79	9.80	7.70
- highest rate	(%)	10.00	14.70	15.00	17.40	11.16	24.00[a]	17.00	17.50	16.70	15.50
Surtax	(%)	-	-	-	-	20.0/36.0	-	-	10.0	10.0	-
Combined federal/provincial top marginal rate[b]	(%)	39.00	43.70	44.00	46.40	46.41	48.22	46.00	48.25	47.37	44.50
Personal amount	($)	16,775	9,373	13,269	8,134	8,881	10,455	8,605	7,981	7,708	7,778
Spousal amount	($)	16,775	8,026	13,269	8,134	7,541	10,455	7,307	6,778	6,546	6,356
Corporate Income Tax											
General rate	(%)	10.0	11.0	12.0	12.0[d]	14.0	11.9	12.0[e]	16.0	16.0	14.0
M&P rate	(%)	10.0	11.0	10/12[c]	12.0[d]	12.0	11.9	12.0[e]	16.0	16.0	5.0
Small business											
- rate	(%)	3.0	2.5	4.5	1.0[d]	5.5	8.0	5.0	5.0	2.1	5.0
- threshold	($000)	500	400	500	400	500	500	500	400	400	400
Capital Tax											
General	(max.%)	-	-	-	0.3	0.225	0.24	-	0.15[f]	-	-
Financial institutions	(max.%)	-	1.0	3.25	3.0	0.675	0.73[g]	3.0	4.0	5.0	4.0
Retail Sales Tax	(%)	-	7.0	5.0	7.0	8.0	7.5[h]	8.0	8.0	10.0[h]	8.0
Gasoline Tax	(cents/litre)	9.0	18.0[j]	15.0	11.5	14.7	15.2[i,j]	10.7[i]	15.5[i]	14.5[k]	16.5[i]
Tobacco Tax	(dollars/carton)	40.00	37.00	36.60[i]	35.00[i]	24.70	20.60	23.50[i]	33.04[i]	39.90	36.00[i]
Payroll Tax	(max.%)	-	-	-	2.15	1.95	4.26[l]	-	-	-	2.00

Rates for other provinces known as of March 20, 2009.

[a] Quebec residents receive an abatement of 16.5% of basic federal tax in lieu of federal cash transfers to Quebec for several social programs.

[b] The top federal personal income tax rate is 29%, except in Quebec, where the top federal rate is 24.22% because of the federal abatement.

[c] The general corporate income tax rate is reduced by up to 2 points based on the share of a corporation's national manufacturing and processing income allocated to Saskatchewan.

[d] The Manitoba corporate, M&P and small business rates will be reduced from 13%, 13% and 2%, respectively, effective July 1, 2009. These reductions are subject to balanced budget requirements.

[e] New Brunswick's general corporate income tax rate will fall from 13% to 12% on July 1, 2009.

[f] Nova Scotia's general capital tax rate will decrease from 0.2% to 0.15% on July 1, 2009.

[g] Quebec's financial institutions capital tax includes a base rate of 0.48% and a compensatory tax of 0.25%.

[h] These provinces apply their retail sales tax on the retail price of the good or service inclusive of the Goods and Services Tax.

[i] These provinces apply their retail sales tax on the retail price of the good inclusive of the particular excise tax.

[j] An additional 6 ¢/litre is imposed in the greater Vancouver area, 3.5 ¢/litre in Victoria and 1.5 ¢/litre in Montreal. The British Columbia rate includes the carbon tax on gasoline, which will rise from 2.3 ¢/litre to 3.5 ¢/litre on July 1, 2009.

[k] Prince Edward Island's rate is based on a 7.1 ¢/litre base rate and 10.7% of the average wholesale price and is calculated on a monthly basis. The total tax rate is capped at 15.8 ¢/litre.

[l] Quebec levies an additional tax of up to 2% on the wages of financial institutions that is not included in this rate.

Key Energy and Economic Assumptions

Fiscal Year Assumptions	2007-08 Actual	2008-09 Estimates	2009-10	2010-11	2011-12	2012-13
Prices						
Crude Oil Price						
WTI (US$/bbl)	82.25	85.50	55.50	64.50	72.50	76.00
Alberta Wellhead (Cdn$/bbl)[a]	73.80	81.77	57.95	64.24	70.31	73.66
Bitumen @ Edmonton (Cdn$/bbl)[b]	43.53	60.10	32.71	36.13	39.27	40.92
Natural Gas Price						
Alberta Reference Price (Cdn$/GJ)	5.92	7.00	5.50	6.00	6.25	6.50
Production						
Conventional crude oil (000s barrels/day)	520	498	469	457	451	441
Raw bitumen (000s barrels/day)	1,257	1,398	1,934	2,155	2,478	2,812
Natural gas (billions of cubic feet)	5,104	4,857	4,566	4,325	4,154	4,006
Interest rates						
3-month Canada treasury bills (per cent)	3.84	1.75	0.60	1.90	4.00	4.00
10-year Canada bonds (per cent)	4.18	3.40	3.05	3.65	4.75	4.75
Exchange Rate (US¢/Cdn$)	97.10	89.50	83.50	87.50	90.00	90.00

Calendar Year Assumptions	2008 Actual	2009	2010	2011	2012	2013
Gross Domestic Product						
Nominal (millions of dollars)	289,063[c]	251,579	268,281	285,862	305,355	325,162
per cent change	11.6	-13.0	6.6	6.6	6.8	6.5
Real (millions of 2002 dollars)	190,213[c]	186,502	189,842	195,445	201,948	208,236
per cent change	1.5	-2.0	1.8	3.0	3.3	3.1
Other Indicators						
Employment (thousands)	2,013	1,998	2,017	2,059	2,104	2,147
per cent change	2.8	-0.8	1.0	2.1	2.2	2.1
Unemployment rate (per cent)	3.6	5.8	6.5	6.2	5.5	4.6
Average Weekly Earnings (per cent change)	4.8[c]	2.5	2.3	2.5	3.0	3.0
Personal Income (per cent change)	7.8[c]	1.8	2.8	4.6	5.5	5.2
Corporate Profits (per cent change)	21.8[c]	-49.6	28.8	16.1	12.1	10.9
Housing starts (number of units)	29,164	22,300	24,100	24,400	25,300	26,800
Alberta Consumer Price Index (per cent change)	3.1	1.0	1.7	2.0	2.0	2.0
Population (thousands)	3,585	3,652	3,714	3,777	3,843	3,912
per cent change	2.1	1.9	1.7	1.7	1.7	1.8

[a] Refers to the average price per barrel of Alberta light, medium and heavy oil.

[b] The bitumen price is an estimate of the price at Edmonton and is not an actual market price.

[c] Alberta Finance and Enterprise estimate.

Sensitivities to Fiscal Year Assumptions, 2009–10[a]

(millions of dollars)

	Change	Net Impact (2009-10)
Oil Price (WTI US$/bbl)	-$1.00	-143
Natural Gas Price (Cdn$/GJ)	-10 Cents	-126
Exchange Rate (US¢/Cdn$)	+ 1 Cent	-221
Interest Rates	+1%	-212
Equity Market Value	-1%	-69
Personal Income	-1%	-127
Corporate Taxable Income	-1%	-16

[a] Sensitivities are based on current assumptions of prices and rates and show the effect for a full 12 month period. Sensitivities can vary significantly at different price and rate levels. The energy price sensitivities do not include the potential impact of price changes on the revenue from land sales. The interest rate sensitivity has two components, an increase in cash interest income and a capital loss. When interest rates rise, bond prices go down, causing a capital loss.

Historical Fiscal Summary, 1990–91 to 2009–10[a]

(millions of dollars)

		1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
																			Actual	Forecast	Estimate
	INCOME STATEMENT																				
	Revenue																				
1	Personal income tax[b]	2,796	3,057	2,794	2,877	3,063	3,177	3,445	3,877	4,601	5,100	3,943	4,183	4,834	4,613	4,649	4,677	7,622	8,271	8,615	8,559
2	Corporate income tax	803	731	637	854	1,073	1,332	1,407	1,849	1,659	1,255	2,023	2,229	2,019	1,696	2,364	2,917	3,606	4,695	3,774	2,447
3	Education property tax	915	1,027	1,115	1,168	1,196	1,205	1,169	1,212	1,118	1,128	1,151	1,094	1,113	1,178	1,247	1,283	1,330	1,393	1,462	1,532
4	Other tax revenue	878	1,029	1,055	1,053	1,126	1,112	1,157	1,218	1,178	1,241	1,386	1,469	1,633	1,838	1,918	1,990	2,138	2,180	2,162	2,214
5	Natural resource revenue	2,688	2,022	2,183	2,817	3,378	2,786	4,034	3,778	2,368	4,650	10,586	6,227	7,130	7,676	9,744	14,347	12,260	11,024	12,289	5,903
6	Investment income	2,125	2,155	1,711	1,837	1,567	1,724	1,616	1,747	1,610	1,906	1,353	788	(462)	1,838	1,809	2,348	3,013	2,414	(1,872)	1,799
7	Other own-source revenue	1,615	1,566	2,319	2,710	2,832	2,431	2,473	2,890	2,950	3,183	3,272	3,672	4,321	4,122	4,378	4,588	4,971	5,144	4,905	4,536
8	Total own-source revenue	11,820	11,587	11,814	13,316	14,235	13,767	15,301	16,571	15,484	18,463	23,714	19,662	20,588	22,961	26,109	32,150	34,940	35,121	31,335	26,990
9	Federal transfers	2,365	2,150	2,457	2,090	1,929	1,748	1,351	1,183	1,335	1,640	1,813	2,264	2,074	2,926	3,219	3,392	3,077	3,048	4,292	4,671
10	**Total revenue**	**14,185**	**13,737**	**14,271**	**15,406**	**16,164**	**15,515**	**16,652**	**17,754**	**16,819**	**20,103**	**25,527**	**21,926**	**22,662**	**25,887**	**29,328**	**35,542**	**38,017**	**38,169**	**35,627**	**31,661**
	Expense by Function[c]																				
11	Health	3,895	4,129	4,352	4,194	3,928	3,773	4,006	4,401	4,660	5,341	5,946	6,846	6,917	7,646	9,059	9,709	10,880	12,286	13,206	13,179
12	Basic and Advanced Education	3,532	3,676	3,904	4,036	3,756	3,713	3,738	4,081	4,241	4,735	5,040	6,099	5,461	5,854	6,370	6,900	7,817	8,886	9,288	9,364
13	Social Services	1,567	1,746	1,889	1,721	1,495	1,456	1,511	1,564	1,560	1,668	1,790	1,942	2,108	2,272	2,438	2,707	2,879	3,117	3,465	3,709
14	Other Program expense	5,741	5,501	6,031	5,172	4,301	3,739	3,446	3,727	3,885	4,612	5,200	5,184	5,567	5,708	5,984	7,427	7,716	9,085	10,879	9,918
15	Total program expense	14,735	15,052	16,176	15,123	13,480	12,681	12,701	13,773	14,346	16,356	17,976	20,071	20,053	21,480	23,851	26,743	29,292	33,374	36,838	36,170
16	Debt servicing costs	1,282	1,314	1,419	1,654	1,746	1,683	1,462	1,322	1,379	956	980	774	476	271	302	248	215	214	215	205
17	**Total expense**	**16,017**	**16,366**	**17,595**	**16,777**	**15,226**	**14,364**	**14,163**	**15,095**	**15,725**	**17,312**	**18,956**	**20,845**	**20,529**	**21,751**	**24,153**	**26,991**	**29,507**	**33,588**	**37,053**	**36,375**
18	**Surplus (Deficit)**	**(1,832)**	**(2,629)**	**(3,324)**	**(1,371)**	**938**	**1,151**	**2,489**	**2,659**	**1,094**	**2,791**	**6,571**	**1,081**	**2,133**	**4,136**	**5,175**	**8,551**	**8,510**	**4,581**	**(1,426)**	**(4,714)**
19	**CAPITAL PLAN**[d]	N/A	N/A	N/A	1,138	891	939	821	1,310	1,256	1,878	2,091	2,860	997	1,659	2,842	3,743	4,769	6,971	7,942	7,179
	BALANCE SHEET																				
20	Net financial assets (debt)[e]	464	(2,165)	(7,054)	(8,313)	(7,355)	(6,255)	(3,728)	(1,089)	(63)	2,654	9,042	9,814	11,696	15,607	20,395	28,318	36,047	39,410	35,998	29,004
21	Capital assets[f]	N/A	N/A	N/A	8,220	7,669	7,411	7,292	7,215	7,218	7,259	8,002	10,141	10,309	10,534	10,921	11,552	12,429	14,140	16,126	18,406
22	Net Assets (Debt)[e]	N/A	N/A	N/A	(93)	314	1,156	3,564	6,126	7,155	9,913	17,044	19,955	22,005	26,141	31,316	39,870	48,476	53,550	52,124	47,410
23	Pension obligations	6,156	5,774	4,770	5,066	5,352	5,352	4,981	4,890	4,813	4,728	4,742	4,771	4,927	5,059	5,235	5,435	5,593	7,883	10,443	10,936
24	Accumulated debt[g]	16,647	17,406	20,305	22,701	21,451	20,531	17,733	14,976	14,106	12,020	8,195	5,261	4,736	3,730						
25	Sustainability Fund assets[h]														2,500	3,498	4,083	7,653	7,653	7,653	10,359
26	Capital Account assets[h]													910	1,180	674	4,243	6,091	7,472	6,974	

[a] Numbers have been restated on 2009-10 basis where possible. Numbers from 1992-93 and on are essentially comparable except for the treatment of disposal of capital assets and other smaller capital spending accounting changes. Prior to 1992-93, spending included actual capital spending rather than amortization costs. Beginning in 2007-08, external investment management fees are no longer being netted against revenue, increasing both revenue and expense by $156 million in 2007-08 and by $172 million in 2008-09.

[b] Costs of the Alberta energy tax refund ($345 million in 2000-01; $320 million in 2001-02) and the 2005 Resource Rebate ($1.3 billion in 2005-06) were netted against personal income tax.

[c] Excludes change in pension obligations. Beginning in 1996-97, valuation adjustments are allocated by function rather than included in other program expense.

[d] Reflects capital grants to local authorities and other capital support included in expense, and capital investment in government-owned assets not included in expense. Capital investment adds to capital assets, which are depreciated over time through amortization expense.

[e] Excludes pension obligations and equity in SUCH organizations. Net debt was increased by $1,474 million in 1992-93 primarily for a school construction debt provision, reduced by $125 million in 1993-94 to record personal tax and EPF entitlements on accrual basis, and increased by $32 million in 1995-96 to report some other revenue on accrual basis.

[f] Capital assets information not available prior to 1993-94. In 1994-95 includes the disposal of $449 million in capital assets (primarily the transfer of secondary highways to municipalities). 2000-01 and 2001-02 include transfers of $587 million and $1.8 billion of secondary highways from municipalities to the Province.

[g] Net of cash set aside for debt repayment. In 2001-02, the amount of $5,261 million includes commitment of $414 million to debt retirement from higher-than-expected year-end surplus, which was transferred in 2002-03 from other assets.

[h] The Capital Account has been consolidated with the Sustainability Fund in 2009-10.

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2009–12 CAPITAL PLAN

BUDGET2009

BUILDING ON
OUR STRENGTH

CAPITAL PLAN 2009–12

BUDGET2009

BUILDING ON
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TABLE OF CONTENTS

Capital Plan 2009–12

2009-12 Capital Plan – Highlights. 91
Province's Support for Capital Infrastructure 92
Climate Change Initiatives 94
Federal Support for Infrastructure 95
Capital Plan Details By Function 97
Municipal Infrastructure Support. 97
Provincial Highway Network 98
Health Facilities and Equipment 99
Schools. 100
Post-Secondary Facilities. 101
Community Facilities 103
Water and Wastewater Management. 104
Housing 105
Government Facilities, Equipment and Other Capital 106
Unallocated Provision. 107
Alternative Financing 107
Capital Plan Details Table 110

CAPITAL PLAN 2009 – 12

HIGHLIGHTS

- Significant investments in capital, $23.2 billion over three years, will take advantage of a competitive marketplace and help stimulate the economy;
- Increase of $1 billion or 4.5% over last year's three-year Capital Plan, primarily due to climate change initiatives;
- Direct borrowing of $1.1 billion in each of the next three years for capital purposes, and
- Funding set aside for provincial contributions to federal stimulus programs.

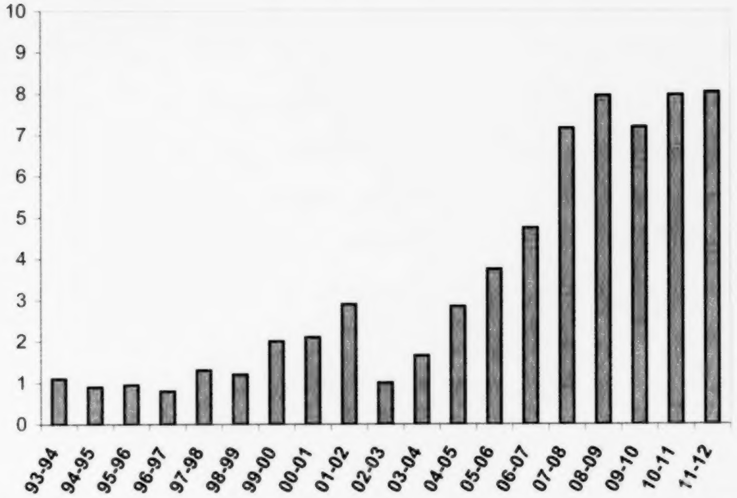
Over 2009-12, the Government of Alberta plans to spend $23.2 billion on capital projects, representing Alberta's commitment to continue implementation of its *20-Year Strategic Capital Plan*. This level of investment will provide employment opportunities, build roads, schools and hospitals, and promote long-term economic growth. As well, investing in infrastructure now takes advantage of improved pricing in the construction sector. These investments will be made while dramatically enhancing efforts to support climate change initiatives.

Over the next three years, the Capital Plan will average $7.7 billion of infrastructure spending annually. This is almost $2 billion more per year than the level of spending proposed in the *20-Year Strategic Capital Plan*. This degree of capital support is unmatched in the rest of Canada.

As a province, we have been growing our investment in infrastructure for a number of years. An increase in spending was necessary to meet the needs created by rapid population and economic growth in recent years. In the coming year, this significant investment in infrastructure will play a role in our recovery. Estimates suggest that every $1 billion in infrastructure spending supports 11,600 jobs, which includes the spinoff in the supply and services sector.

Alberta will take advantage of its sound fiscal management policies to provide greater flexibility for the future as we deliver on our infrastructure commitments. No province is in a better position to borrow than Alberta. We have a triple-A credit rating that will allow us to borrow at the lowest rates possible, at a time when interest rates are at historic lows. Although we have the cash on hand to pay for infrastructure now, Alberta will engage in borrowing over the next three years to maintain our cash balance for future fiscal flexibility, while minimizing the cost of debt.

Province's Support for Capital Infrastructure
(billions of dollars)



The 2009-12 Capital Plan represents a 4.5 percent or $1 billion increase from the 2008-11 Capital Plan published in *Budget 2008*. The significant changes in some of the spending envelopes are mainly due to:

The 2009-12 Capital Plan represents a $1 billion increase over the plan published in Budget 2008.

- Municipal infrastructure support – the new Green Transit Incentives Program;
- Health facilities – reprofiling capital grants to future years to allow Alberta Health Services to draw down its capital cash reserves;
- Post-secondary facilities – winding down of capital projects;
- Community facilities – expiration of the Major Community Facilities Program and other one-time grants provided in 2008-09;
- Government facilities, equipment and other capital – climate change initiatives, and
- Unallocated provision – allocated most of the funding to projects.

Comparison of 2008-11 and 2009-12 Capital Plans
(millions of dollars)

	2008-11 Budget 2008	2009-12 Budget 2009	Dollar Change
Municipal infrastructure support	4,997	5,618	621
Provincial highway network	5,349	5,806	457
Health facilities and equipment	3,337	2,951	(386)
Schools	1,660	1,677	17
Post-secondary facilities	1,480	1,216	(264)
Community facilities	705	260	(445)
Water and wastewater	721	715	(6)
Housing	1,077	1,018	(59)
Government facilities/other	2,029	3,313	1,284
Unallocated provision	803	580	(223)
Total Capital Plan	**22,158**	**23,154**	**996**

The various components making up the Capital Plan directly contribute to the government's five priorities. The following are examples of how this Capital Plan supports these priorities:

ENSURE ALBERTA'S ENERGY RESOURCES ARE DEVELOPED IN AN ENVIRONMENTALLY SUSTAINABLE WAY, through:

- Supporting research, development, and implementation of innovative technologies through the new Carbon Capture and Storage initiative and the Climate Change and Emissions Management Fund;
- Investing in leading-edge initiatives that will reduce air pollution and greenhouse gas emissions through the Canada ecoTrust for Clean Air and Climate Change;
- Pursuing, at a minimum, Leadership in Energy and Environmental Design silver certification as the standard for all newly constructed government-funded facilities, and the Building Owners and Managers Association Building Environmental Standards certification program for facility operations, and
- Providing Albertans a safe and secure water supply through the Alberta Municipal Water/Wastewater Program and the Water for Life strategy.

> *Established the new Carbon Capture and Storage initiative.*

INCREASE ACCESS TO QUALITY HEALTH CARE AND IMPROVE THE EFFICIENCY AND EFFECTIVENESS OF HEALTH CARE SERVICE DELIVERY, through:

- Planning capital projects to align with the strategies of *Vision 2020*, with an aim to provide more health care in community settings;
- Providing more acute care and continuing care beds throughout the province over the next several years as well as enhancing capacity in areas such as ambulatory, diagnostic, emergency and surgical care, and
- Enhancing health information systems as well as providing funds for vaccine purchases.

> *2009-12 funding will provide Albertans increased access to quality health care through state-of-the-art facilities.*

PROMOTE STRONG AND VIBRANT COMMUNITIES AND REDUCE CRIME SO ALBERTANS FEEL SAFE, through:

- Continuation of the commitment to develop more than 11,000 affordable housing units through various grant programs;
- Supporting capital projects that help implement the 10-year strategic plan to end homelessness in Alberta;
- Completing construction of the new Edmonton Remand Centre that will have the capacity to house 2,000 inmates, and
- Expanding and upgrading Alberta's extensive network of community facilities through the Community Facility Enhancement Program.

> *Continue to support the development of more than 11,000 affordable housing units.*

ENHANCE VALUE-ADDED ACTIVITY, INCREASE INNOVATION, AND BUILD A SKILLED WORKFORCE TO IMPROVE THE LONG-RUN SUSTAINABILITY OF ALBERTA'S ECONOMY, through:

- Promoting a unique approach to scientific discovery through the construction of the Centennial Centre for Interdisciplinary Science at the University of Alberta;

- Enhancing research and teaching capacity through the construction of the Energy, Environment, and Experiential Learning Building at the University of Calgary;

Creating 15,000 additional course registrations annually through Athabasca University's main campus.

- Expanding Athabasca University's main campus to build research capacity in e-learning, allowing the delivery of 15,000 additional course registrations per year, and
- Doubling the capacity to deliver energy, manufacturing and construction programming at Southern Alberta Institute of Technology's (SAIT) Trades and Technology Complex.

PROVIDE THE ROADS, SCHOOLS, HOSPITALS AND OTHER PUBLIC INFRASTRUCTURE TO MEET THE NEEDS OF A GROWING ECONOMY AND POPULATION, through:

Continued stable and sustainable funding for municipalities to help address growth pressures.

- Providing municipalities with stable and sustainable funding through the Municipal Sustainability Initiative to help address growth pressures;
- Funding innovative projects that improve local, regional, and inter-city transit networks through the new Green Transit Incentives Program (GreenTRIP);
- Funding the construction of 18 new K-9 schools in Edmonton and Calgary through the Alberta Schools Alternative Procurement Phase 1 project, with another 14 schools committed for the Edmonton and Calgary regions in Phase 2, and
- Continuing construction of the ring roads in Calgary and Edmonton.

CLIMATE CHANGE INITIATIVES

The development of energy resources plays a critical role to the province's economic growth. Alberta is committed to developing these resources in an environmentally responsible way while continuing to fulfill its role as one of the top energy suppliers in the world. In January 2008, the government released its provincial climate change strategy which focuses on implementing carbon capture and storage, using energy more efficiently and greening energy production.

The 2009-12 Capital Plan includes nearly $1.7 billion of capital spending to support technologies that reduce greenhouse gas emissions and increase efficiency of energy use and production through the following initiatives:

Companies will have several options available to them to reduce their greenhouse gas emissions in order to meet legislated requirements.

- $2 billion committed to accelerate carbon capture and storage projects that could permanently store up to five million tonnes of carbon dioxide in Alberta's geological formations annually by 2015;
- Another $2 billion committed to promote the use of energy-saving public transit through GreenTRIP that will reduce the number of vehicles on Alberta roads;
- The Climate Change and Emissions Management Fund, which is dedicated to investing in projects and technologies that reduce greenhouse gas emissions, and
- The Canada ecoTrust for Clean Air and Climate Change program, a federally funded program that supports applied research, demonstration projects, and technology development that would directly reduce greenhouse gas emissions and air pollutants.

Significant investment in technology not only fosters innovation but it also secures Alberta's leadership role in addressing the global issue of climate change. The following table summarizes the government's 2009-12 capital commitment to major climate change initiatives:

Climate Change Initiatives
(millions of dollars)

	2009-10	2010-11	2011-12	Total
Carbon Capture and Storage	100	300	400	800
Green Transit Incentives Program	10	150	360	520
Climate Change and Emissions Management Fund	71	59	84	214
EcoTrust for Clean Air and Climate Change	39	39	39	117
Total Funding Approved	220	548	883	1,651

FEDERAL SUPPORT FOR INFRASTRUCTURE

On August 29, 2008, the Government of Alberta and the Government of Canada signed the Building Canada infrastructure framework agreement. The agreement establishes the terms and conditions that will govern the partnership between Alberta and Canada, enabling both parties to jointly address the development of important infrastructure projects. Alberta will receive an estimated $1.8 billion in support through the Building Canada plan, which will complement Alberta's unprecedented infrastructure investment. The following table summarizes the federal contribution to components of the Building Canada plan:

Alberta will receive $1.8 billion through the Building Canada plan to complement its unprecedented investment in infrastructure.

Federal Contribution – Building Canada Plan
(millions of dollars)

	2009-14
Building Canada Fund:	
Major Infrastructure Component	753
Communities Component	88
Subtotal	841
Provincial/Territorial Base Fund	175
Gas Tax Fund	798
Total Federal Contribution	1,814

The Building Canada Fund will be delivered through two programs: the Major Infrastructure Component and the Communities Component. The $753 million **Major Infrastructure Component** will focus on larger, strategic projects of national and regional priority. This program requires a matching provincial contribution. For municipal projects funded through this program, a municipal contribution will be required as well. Commitments have already been made under the Major Infrastructure Component for projects such as an interchange on the Edmonton ring road, the Centre for Sports Excellence in Calgary, expansion of the Northlands exhibition facility in Edmonton, the Kinnear Centre for Creativity and Innovation at the Banff Centre and the Calgary Stampede Park Western Legacy Project.

The $88 million **Communities Component** will focus on smaller-scale projects in communities with a population of less than 100,000. This program will require matching contributions from the province and municipalities. Eligible funding categories are water, wastewater, solid waste, local roads, culture, sports, connectivity, green energy and collaborative projects. All requests are evaluated by a federal-provincial committee through a competitive application-based process. Alberta and Canada have already agreed to fund 22 projects with a total project cost of more than $76 million. The combined provincial-federal contribution to these projects will be $48 million, with municipalities contributing the remainder. Additional project proposals will be reviewed and approved early in the 2009-10 fiscal year.

Alberta and Canada have already agreed to fund 22 projects with a total project cost of more than $76 million through the Communities Component.

In its Budget 2009, the Government of Canada committed an additional $500 million to be shared by all the provinces for the Communities Component. This funding will be targeted to 'shovel-ready' infrastructure projects. Details on Alberta's share have yet to be determined.

The federal government will also provide $175 million through the **Base Funding Agreement**. Originally intended to be $25 million per year over the 2007-14 period, Alberta plans to take advantage of Canada's Budget 2009 commitment to accelerate these payments to stimulate the economy and help advance infrastructure projects. Funding for the Art Gallery of Alberta has already been provided under the Base Funding Program.

The Building Canada plan will also provide $798 million to Alberta municipalities through the extension of the **Gas Tax Fund** agreement from 2010 to 2014. This federal flow-through funding will be used to support municipal infrastructure. It does not require a matching provincial or municipal contribution.

In its Budget 2009, the federal government committed to a number of federal programs aimed at stimulating the economy by making investments in infrastructure. While the details of these federal programs have not been finalized, this Capital Plan has set aside funding to match potential federal funds available under these programs.

CAPITAL PLAN DETAILS – BY FUNCTION

(millions of dollars)	2009-10 Estimate	2010-11 Target	2011-12 Target	3-year Total
Municipal infrastructure support	1,491	1,965	2,162	5,618
Provincial highway network	1,842	2,136	1,828	5,806
Health facilities and equipment	369	1,255	1,327	2,951
Schools	761	423	493	1,677
Post-secondary facilities	490	485	241	1,216
Community facilities	80	65	115	260
Water and wastewater management	254	188	273	715
Housing	328	223	467	1,018
Government facilities/other capital	1,352	1,104	857	3,313
Unallocated provision	212	113	255	580
Total Capital Plan	**7,179**	**7,957**	**8,018**	**23,154**

MUNICIPAL INFRASTRUCTURE SUPPORT

MAJOR 2008-09 ACCOMPLISHMENTS:

$1.6 billion in grants forecast for 2008-09, with some of the following achievements:

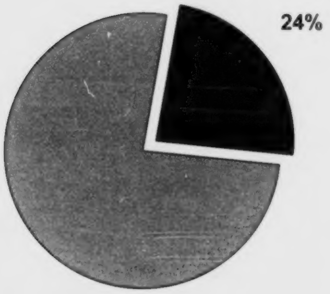
- Through various municipal transportation grant programs, 360 municipalities were recipients of $1 billion to support over 2,000 active projects. Projects ranged from construction or rehabilitation of roads and bridges to the purchase of public transit vehicles. Notable was support for the LRT extensions in Edmonton and Calgary, the 23rd Avenue interchange in Edmonton, and the upgrade of 16th Avenue North in Calgary, and
- The Municipal Sustainability Initiative provided $455 million in capital grants to municipalities to contribute to addressing critical infrastructure needs. Some examples include:
    - Upgrades to processing equipment at the Edmonton Waste Management Centre;
    - Construction of the West Light Rail Transit line in Calgary;
    - Purchase of a new fire truck for Olds;
    - Construction of a new water line between Blairmore and Coleman to increase water supply;
    - Construction of a new roadway connecting McLennan and the Peavine Métis Settlement, and
    - Building a new fire hall in Lethbridge.

> *Over 2,000 projects, in 360 municipalities, benefited from $1 billion of municipal transportation grants.*

THE NEXT THREE YEARS:

The development of public infrastructure at the municipal level is central to providing essential services and maintaining a high quality of life for Albertans. Although growth pressures have stabilized, the government remains committed to providing Alberta's municipalities with increased long-term sustainable funding for infrastructure. Municipal infrastructure support has grown significantly over the last few years, increasing by $621 million from 2008-11.

Municipal Infrastructure Support *represents 24%, or $5.6 billion of the 2009-12 Capital Plan.*



The cornerstone program for support to municipalities is the Municipal Sustainability Initiative (MSI). Grants are issued to recipients based on a formula that considers a base funding component, population, education property tax requisitions and kilometres of local road.

Over 2009-12, $5.6 billion will be provided to municipalities, and this support includes:

- $2.7 billion for capital grants under MSI to address core municipal infrastructure needs such as roads, bridges, and public transit;
- $1 billion for municipal transportation grants under several programs based on factors such as population, kilometres of open road and terrain;
- $591 million under the Federal Gas Tax Fund Program, which returns a portion of the federal gasoline tax to the province for distribution to municipalities;
- $520 million for GreenTRIP to support innovation in public transit;
- $486 million for the Alberta Municipal Infrastructure Program, which provides grants to municipalities for roads, bridges, public transit, water and wastewater, emergency services, and infrastructure management systems;
- $176 million, representing the federal and provincial contributions for the Building Canada Communities Component, and
- $73 million for other municipal support such as the Canada-Alberta Municipal Rural Infrastructure Fund and underground petroleum storage tank site remediation.

Provide $520 million in funding to expand and enhance public transit networks through GreenTRIP.

PROVINCIAL HIGHWAY NETWORK

MAJOR 2008-09 ACCOMPLISHMENTS:

$2 billion forecast to be spent in 2008-09, with some of the following achievements:

- Built 90 kilometres of new highway, repaved 1,240 kilometres, widened 54 kilometres, and opened 50 kilometres of twinning work in 2008-09;
- Began construction of the Anthony Henday Drive northwest ring road in Edmonton;
- Continued construction on the Stoney Trail northeast and northwest ring roads in Calgary, including constructing interchanges at Beddington Trail and Country Hills Boulevard;
- Began major work on the new five-lane bridge over the Athabasca River in Fort McMurray and replacement of the deck on the Dunvegan Bridge north of Grande Prairie;
- Made significant progress on twinning or widening work on several highway segments, including Highway 4 near Milk River, Highway 54 west of Innisfail, Highway 58 east of Rainbow Lake, and a 13 kilometre section of Highway 21 near Sherwood Park;
- Constructed an interchange near Chestermere;
- Improvements to the Deerfoot Trail interchange at Peigan Trail-Barlow Trail in Calgary, and
- Repaving and illumination work on the Queen Elizabeth II highway south of Edmonton between Ellerslie Road and Highway 39.

Commenced construction of a new five-lane bridge over the Athabasca River in Fort McMurray.

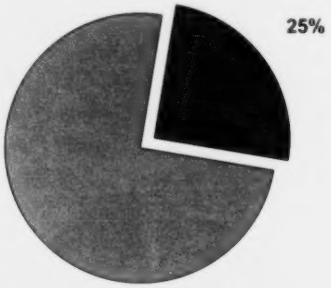
THE NEXT THREE YEARS:

Alberta's roadways are the lifeblood of our economy; connecting communities and enabling the safe and efficient movement of people and goods. An effective highway network increases our competitiveness in domestic and international markets. The government continues to recognize the importance of this network and has increased funding by $457 million from 2008-11 levels, bringing investment in provincial highway projects to $5.8 billion over the next three years. This will enable the government to continue developing important strategic economic corridors, such as ring road links in Edmonton and Calgary, connections between major urban centers and high-growth industrial areas, and resource roads throughout the province.

The 2009-12 Capital Plan includes funding to:

- Complete the northeast and northwest segments of the Calgary Stoney Trail ring roads in fall 2009;
- Start construction of the southeast Calgary Stoney Trail ring road in 2010;
- Complete the northwest segment of the Edmonton Anthony Henday ring road in fall 2011;
- Complete an interchange at Anthony Henday Drive and Stony Plain Road in Edmonton, with a contribution from the federal government;
- Continue planning for other ring road segments;
- Complete two interchanges on Highway 63 within Fort McMurray at Thickwood Boulevard and Confederation Way, plus a new bridge structure over the Athabasca River;
- Continue twinning portions of Highway 63 between Edmonton and Fort McMurray;
- Begin construction to replace the bridge at Highway 22 over the North Saskatchewan River near Drayton Valley, and
- Perform paving and rehabilitation work on highways throughout the province.

Provincial Highway Network *represents 25%, or $5.8 billion of the 2009-12 Capital Plan.*



Construct an interchange at Stony Plain Road and Anthony Henday Drive in Edmonton.

HEALTH FACILITIES AND EQUIPMENT

MAJOR 2008-09 ACCOMPLISHMENTS:

$979 million forecast to be spent in 2008-09, with some of the following achievements:

- Completion of the Highwood Tower addition at the Rockyview General Hospital in Calgary;
- A new intensive care nursery at the Grey Nuns Community Hospital in Edmonton;
- Ambulatory care renovations and expansion at the Northern Lights Regional Health Centre in Fort McMurray;
- Opened the new Johnstone Crossing Community Health Centre, providing public and community health services to Red Deer and adjacent communities;

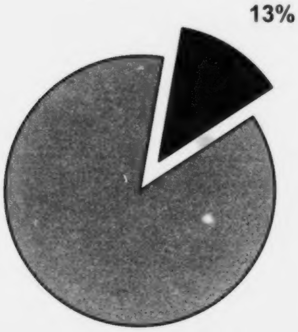
Completed the Highwood Tower expansion at the Rockyview General Hospital in Calgary and renovations to the Grey Nuns Community Hospital in Edmonton and the Northern Lights Regional Health Centre in Fort McMurray.

- A new renal dialysis bus to serve the communities of Whitecourt and Hinton;
- Added a CT scanner and expanded the emergency department at the Brooks Health Centre;
- A major expansion and renovation to the Oyen Health Centre, and
- Continued progress on major facility construction projects such as the South Calgary Health Campus and the Edmonton Clinic.

THE NEXT THREE YEARS:

Government is committed to ensuring that Albertans have improved access to quality health care services. Through the Capital Plan, significant support has been provided for health facility infrastructure in recent years. Over the last five years, over 40 major health facility developments or expansions have been completed and are operational.

Health Facilities and Equipment *represents 13%, or $3 billion of the 2009-12 Capital Plan.*



In December 2008, *Vision 2020: The Future of Health Care in Alberta* was announced as a strategy aimed at improving the efficiency of the health system, providing more health care in community settings, and reviewing existing, planned and approved hospitals to ensure local needs are met. Capital projects will be planned to align with the goals and strategies of this initiative.

In addition to their capital cash reserves, Alberta Health Services will receive capital funding totaling nearly $3 billion over the next three years for expansion projects, construction of new health facilities and for health information systems and vaccines. It will also provide more acute and continuing care beds throughout the province over the next several years, as well as enhance capacity in areas such as ambulatory, diagnostic, emergency and surgical care.

SCHOOLS

MAJOR 2008-09 ACCOMPLISHMENTS:

$609 million in grants forecast for 2008-09, with some of the following achievements:

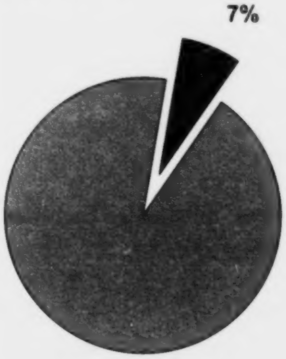
Accommodated 4,650 students in 12 new schools.

- Completed 12 new schools with enough capacity to accommodate 4,650 students;
- Completed 4 additions and replaced or modernized 11 schools;
- Approved 106 modular classrooms to address enrolment pressures;
- Awarded Alberta's first contract for a public-private partnership procurement of school facilities. The Alberta Schools Alternative Procurement Phase One (ASAP I) project will construct 18 schools in Edmonton and Calgary. Work to date includes site preparation, grading, pilings, and work on stairwell and elevator structures, and
- Led by a cross-ministry team, continued with planning towards a second phase of ASAP school construction, which will provide 14 new schools in Edmonton, Calgary and their surrounding communities.

THE NEXT THREE YEARS:

Nearly $1.7 billion is provided in this Capital Plan for new school facilities, expansions and preservation projects over the next three years. This includes funding for the Infrastructure Maintenance and Renewal Program, which manages the capital maintenance and renewal of existing school facilities. Focused efforts have been made to develop flexible approaches in providing the infrastructure necessary to ensure that students are educated in well-maintained community-centred schools.

Schools *represents 7%, or $1.7 billion of the 2009-12 Capital Plan.*



The 2009-12 Capital Plan for school infrastructure includes funding to:

- Complete 54 new and replacement schools throughout the province to accommodate over 31,000 students;
- Construct 18 K-9 schools, nine in Calgary and nine in Edmonton, through the ASAP I project to be opened by September 2010 (included in the figure above). The schools will use a core design with modular classrooms that can be moved to accommodate changing student populations;
- Continue with plans to build 14 elementary, middle and high schools in Edmonton, Calgary, Okotoks, Langdon, Spruce Grove and Sherwood Park as a second phase of ASAP (included in the figure above). These schools are anticipated to be complete in 2012. Ten elementary and middle schools will incorporate a core design with modular classrooms; while the four high schools will use specific designs for unique programming needs;
- Continue 54 new and ongoing major modernization and addition projects in various stages of completion, and
- Perform priority school infrastructure revitalization projects throughout the province including roof repairs, health and safety upgrades, mechanical system replacements and energy efficiency improvements.

Build 54 new and replacement schools, which will accommodate over 31,000 students.

POST-SECONDARY FACILITIES

MAJOR 2008-09 ACCOMPLISHMENTS:

$880 million in grants forecast for 2008-09, with some of the following achievements:

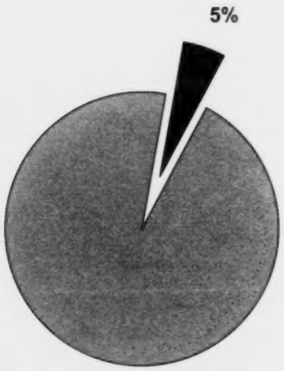
- Created space for more than 400 students at various post-secondary institutions and made progress on expansions that will result in space for over 1,000 more;
- Completed the Bill Kondro Wing of Lakeland College's Lloydminster Campus that will serve a wide variety of programs, including computer programming, health education, heavy oil training and interior design;
- Finished the new Portage College Cold Lake Campus to improve rural access to several post-secondary education programs;
- Completed the Alberta Water and Environmental Science Building at the University of Lethbridge to support research on water and water related socio-economic issues;
- Made significant progress towards:
  - Completing Phase One of Red Deer College's Building Communities Through Learning initiative to serve trades and technology programs;

Created 400 new student spaces throughout various post-secondary institutions.

  - Opening a new library at the University of Alberta's Augustana Campus in Camrose in spring 2009, and
  - Finishing the Veterinary Medicine Facilities at the University of Calgary, a state-of-the-art clinical skills training centre.
- Provided over $82 million towards 26 preservation projects at 12 different institutions, and
- Increased funding for the Infrastructure Maintenance Program to maintain existing facilities.

THE NEXT THREE YEARS:

Post-Secondary Facilities *represents 5%, or $1.2 billion of the 2009-12 Capital Plan.*



To meet the goal of preparing Albertans for lifelong learning, government is committing $1.2 billion in support for post-secondary infrastructure over 2009-12. This spending will build a resilient and responsive post-secondary system that aligns supply and capacity to the demands of learners, society and the economy. This Capital Plan will provide space for more than 16,000 learners in high demand programs and enhance the province's research capacity.

The 2009-12 Capital Plan includes investments in post-secondary facilities, such as:

- Health Research Innovation Centre and the Teaching, Research and Wellness Building at the University of Calgary for medical and health research;
- Markin Building for Health Sciences and Management at the University of Lethbridge, to bring together the Faculty of Management and the School of Health Sciences;
- Athabasca University's main campus expansion to enhance research capacity in e-learning, allowing the delivery of 15,000 additional course registrations per year;
- SAIT's Trades and Technology Complex, doubling its capacity to deliver energy, manufacturing and construction programming;
- Centennial Centre for Interdisciplinary Science at the University of Alberta for graduate and undergraduate science programs;
- Bow Valley College renovation and expansion of existing facilities, creating space for almost 4,000 more students;
- Mount Royal College and Grant MacEwan College science lab expansions;
- Energy, Environment, and Experiential Learning Building at the University of Calgary;
- Edmonton Clinic at the University of Alberta, creating more than 800 new spaces for students in health care related professions, and
- $328 million for infrastructure maintenance at post-secondary institutions across the province.

Will provide space for more than 16,000 learners in high demand programs.

COMMUNITY FACILITIES

MAJOR 2008-09 ACCOMPLISHMENTS:

$365 million forecast to be spent in 2008-09, with some of the following achievements:

- The Major Community Facilities Program (MCFP) provided $153 million in grants to construct or upgrade public-use facilities for sport, recreation, culture and wellness. Examples include:
  - $3.7 million to expand and renovate the G.H. Dawe Community Centre in Red Deer;
  - $3.6 million to expand the ENMAX Centre in Lethbridge;
  - $3.3 million towards the construction of a new community arena and fitness facility in Brooks, replacing the existing 47-year-old Brooks Centennial Arena, and
  - $1 million to assist with rebuilding the Viking Carena.
- $50 million in support for the development of the Capital Region River Valley Park;
- $40 million towards the expansion of the TELUS World of Science in Calgary;
- The Community Facility Enhancement Program (CFEP) provided approximately $39 million in matching grants to expand or upgrade community-use facilities. Some examples include:
  - Upgrades to the High Level Sports Complex;
  - Renovations to the Lakeland Animal Care Centre in Cold Lake;
  - Upgrading the Community Theatre Arts Centre in Medicine Hat, and
  - Renovations to the Wainwright and District Communiplex.

Issued $192 million in grants through MCFP and CFEP programs to construct and upgrade community facilities in 2008-09.

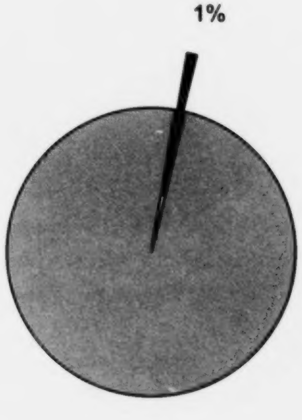
THE NEXT THREE YEARS:

Community facilities play a key role in maintaining a culturally vibrant province, strengthening our communities and promoting tourism. Museums, historic sites, provincial parks, indoor and outdoor recreation centres, and buildings utilized by non-profit groups and foundations for various purposes are examples of facilities that collectively enhance community life. Investments in this type of infrastructure will continue to be made through our Capital Plan to provide Albertans with the opportunity to participate in community life through recreation, the arts and cultural activities.

Three-year support totaling $260 million for community facilities across the province includes:

- $38 million annually for the ongoing CFEP, which provides matching grants to support the expansion and upgrading of Alberta's extensive network of community-use facilities;
- $56 million to continue work to refurbish the Royal Alberta Museum, and
- $18 million annually for maintaining and improving Alberta's network of 500 provincial parks and protected areas. A central registration and reservation system will also be implemented to increase accessibility to provincial park campgrounds.

Community Facilities *represents 1%, or $260 million of the 2009-12 Capital Plan.*



WATER AND WASTEWATER MANAGEMENT

MAJOR 2008-09 ACCOMPLISHMENTS:

$346 million forecast to be spent in 2008-09, with some of the following achievements:

- Completed the rehabilitation and upgrading of the main canal, and North and South McGregor Dam structures of the Carseland-Bow River Headworks System;
- Provided $290 million in grants under the Alberta Municipal Water/ Wastewater Program (AMWWP) and the *Water for Life* strategy in support of municipal water facilities and regional water system development;
- Upgraded the East Dam Earthwork and Electrical Controls, and replaced gates on the East and North Dam, part of the St. Mary to Milk River Headworks System;
- Allocated $22 million in grants to support the rehabilitation of irrigation systems;
- Upgraded structures, including head gates, in the Western Headworks System, and
- Rehabilitation largely complete on the Reesor and Spruce Coulee Dam.

Provided $290 million in grants under AMWWP and Water for Life in 2008-09.

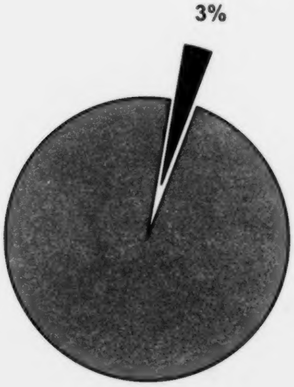
THE NEXT THREE YEARS:

Effective management of our water resources remains a government priority in order to provide reliable, good quality supplies for communities, ecosystems and the economy. The Alberta *Water for Life* strategy, launched in 2003, is the most comprehensive water management plan in North America, and part of that plan is to provide the infrastructure necessary to deliver water and wastewater services. Funding commitments for initiatives that ensure Albertans continue to have access to a safe and secure water supply have remained consistent from year to year.

An investment of $715 million for water infrastructure will be made in the following areas:

- Regional water and wastewater treatment projects throughout the province, supporting the *Water for Life* strategy;
- Grants to municipalities under the Alberta Municipal Water/Wastewater Program;
- Continue rehabilitation work on the Carseland-Bow River Headworks System;
- Construction on the Calgary Bow River Weir Project;
- Upgrades to the South Heart River Dam controls;
- Irrigation rehabilitation grants to support the agriculture industry, and
- Rehabilitation of the Lethbridge Northern Headworks System.

Water and Wastewater Management *represents 3%, or $715 million of the 2009-12 Capital Plan.*



HOUSING

MAJOR 2008-09 ACCOMPLISHMENTS:

$413 million forecast to be spent in 2008-09, with some of the following achievements:

- Created approximately 2,200 more affordable housing units;
- $45 million dedicated for the Regional Municipality of Wood Buffalo, for the second year in a row, to support the creation of 300 affordable housing units;
- $100 million in block funding to municipalities across the province for affordable housing initiatives. Eligibility is based on a formula that considers population growth, vacancy rates and average rents for a two-bedroom unit and previous year's eligibility. Some examples of projects that received funding commitments are:
  - $25 million to develop 150 affordable housing units for the YMCA's new Welcome Village in Edmonton;
  - $21.4 million for the Mustard Seed Street Ministry Society housing initiative in Calgary, which will create 112 housing units for lower income individuals who have experienced homelessness, and
  - $3.2 million to Jasper for a housing initiative that will develop 42 one-bedroom units, targeting short-term and temporary residents predominantly working in the hospitality sector.

Created 2,200 new affordable housing units in 2008-09.

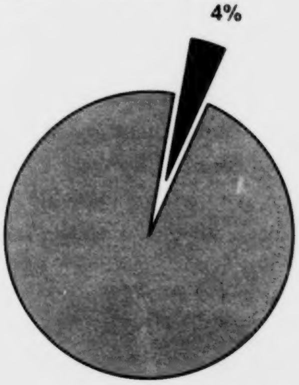
THE NEXT THREE YEARS:

Responding through the Affordable Housing Initiative, the provision of affordable housing for Albertans remains a critical priority for government. The objectives are to increase the supply of affordable and barrier-free housing to address demand, provide transitional housing to help reduce homelessness, and seniors housing to allow more seniors to remain in their homes.

This Capital Plan includes $1 billion over three years for programs to help achieve these goals, and includes:

- Support for government's goal of developing more than 11,000 affordable housing units through various grant programs;
- $400 million related to the implementation of *A Plan for Alberta - Ending Homelessness in 10-years*, as well as continued collaboration with municipalities and the Alberta Secretariat for Action on Homelessness. This includes:
  - The development of over 700 units in the first year, the majority of which will be for single room occupancy, and
  - The creation of 2,700 housing units for Alberta's homeless population over three years.
- Provision of more seniors housing through the Affordable Supportive Living Initiative, enabling the construction of over 1,200 additional units.

Housing *represents 4%, or $1 billion of the 2009-12 Capital Plan.*



$400 million will be provided to capital projects that help implement A Plan for Alberta - Ending Homelessness in 10-years.

GOVERNMENT FACILITIES, EQUIPMENT AND OTHER CAPITAL

MAJOR 2008-09 ACCOMPLISHMENTS:

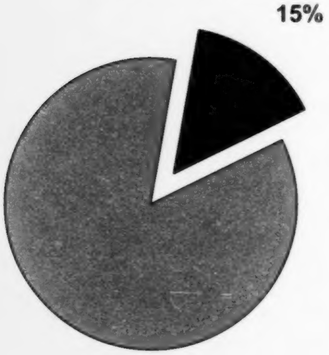
$702 million forecast to be spent in 2008-09, with some of the following achievements:

Acquired parcels of land for the Transportation and Utility Corridors in Edmonton and Calgary.

- ✦ Commenced construction of the new Edmonton Remand Centre;
- ✦ Began Phase II of the Calgary Courts Centre, which involves renovating the Court of Appeal Building, demolishing the old Court of Queen's Bench, construction of a 700-stall underground parkade and development of an urban park;
- ✦ Acquired several parcels of land for government use, including those within the Edmonton and Calgary Transportation and Utility Corridors;
- ✦ Construction is underway for the replacement of the research greenhouse at the Brooks Crop Diversification Centre South;
- ✦ Awarded the contract for a master planning consultant to develop a long-term planning strategy for the redevelopment of the Legislature Grounds in Edmonton, which will be coordinated with the development of the Federal Building and a new Centennial Plaza, and
- ✦ Delivered $37 million towards capital maintenance and renewal projects to preserve government-owned facilities.

THE NEXT THREE YEARS:

Government Facilities, Equipment and Other Capital *represents 15%, or $3.3 billion of the 2009-12 Capital Plan.*



The three-year support for government facilities, equipment and other capital totals $3.3 billion. This is an increase of nearly $1.3 billion over 2008-11 levels mainly due to implementation of the new Carbon Capture and Storage initiative. This spending envelope covers a broad range of other activities; from building government-owned facilities to purchasing computer equipment for government departments and agencies and making the capital investments necessary to effectively operate the Swan Hills Treatment Centre.

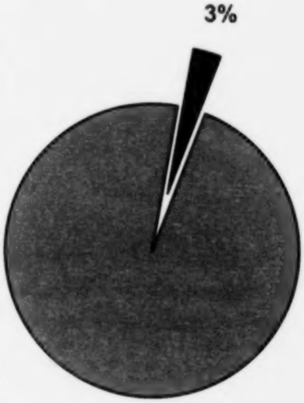
The 2009-12 Capital Plan includes funding for:

- ✦ Implementation of Carbon Capture and Storage initiative projects;
- ✦ Phase One critical projects identified under the Information Management and Technology Strategy, which seeks to establish a single enterprise approach to Government of Alberta technology management;
- ✦ Construction of the new Edmonton Remand Centre, planned for completion in 2012;
- ✦ Restoration and renovation of the Federal Building on the Legislature Grounds, scheduled for occupancy by 2012, as well as the creation of Centennial Plaza and construction of a new 650-stall parkade;
- ✦ Initiatives through the Climate Change and Emissions Management Fund and the Canada ecoTrust for Clean Air and Climate Change program;
- ✦ Providing 14,000 new child care spaces by 2011, over 6,000 of which have been provided, and
- ✦ Purchasing ecologically sensitive land through the Enhanced Land Stewardship Program, offset by proceeds from the sale of surplus government lands.

UNALLOCATED PROVISION

The 2009-12 Capital Plan includes $580 million that has been set aside for allocation to ministries at a later date. This provision could be used to help fund Alberta's contribution towards projects eligible to receive federal stimulus funding or to help address high-priority capital funding pressures that may arise. A portion of the funding has been earmarked for the Alberta First Responders' Radio Communications System. This project will develop a shared province wide radio system, replacing several aging systems, which will increase inter-operability so first responder organizations such as police, fire and Emergency Medical Services can communicate with one another to better ensure public safety.

Unallocated Provision *represents 3%, or $580 million of the 2009-12 Capital Plan.*



ALTERNATIVE FINANCING

The Alternative Capital Financing Office in the Ministry of Treasury Board leads the process to identify and analyze alternative ways of procuring and financing capital projects. Alternative financing can take different forms, including direct government borrowing, capital leases, public-private partnerships (P3s) and borrowing by local authorities. In this year's budget, government plans to use $1.1 billion in direct borrowing in each of the next three years for capital purposes.

A P3 in Alberta is an infrastructure project in which a private contractor provides part of the project financing and designs and builds the project. The P3 could also include having the private contractor provide an "extended warranty" by operating and maintaining the project. Government pays the private contractor over the contract period but would reduce the payments if the contractor does not meet defined performance standards.

P3s are used for a number of reasons. They can allow government access to private sector expertise and accommodate the transfer of certain risks, such as cost escalation and construction delays, to the private sector. P3s often include operations and maintenance of the infrastructure which provides a long-term warranty over the term of the agreement with the private contractor compared to a one or two-year warranty using traditional procurement. Including the operations and maintenance also ensures government has well maintained assets over the contract period, and enables government to address the cyclical renewal costs of the assets. Government pays for risk transfer, so achieving the optimum allocation of risk between the public and private partners is essential to generating value using a P3. Generally, the P3 will reduce project timeframes by one or two years compared to the traditional design build approach.

Alberta will only pursue a P3 when there is a greater value to using a P3 than traditional procurement methods.

Alberta will only pursue a P3 when there is greater value in using a P3 than in acquiring an asset using traditional procurement methods. Each P3 is evaluated to ensure value for money over the life of the agreement term and is reviewed by an external advisory committee made up of private sector members.

Government has pursued some projects where value was demonstrated. To date, $1.8 billion has been approved to be alternatively financed through P3s. Several projects are either operational, under construction or under procurement.

The *Northeast Stoney Trail ring road project* in Calgary is a P3 Design-Build-Finance-Operate project that is currently under construction and on schedule for completion in fall 2009. The P3 model resulted in an estimated savings of $350 million when compared to the conventional procurement approach.

The *Anthony Henday Northwest ring road segment* is another P3 roads project that is underway. Doing the project as a P3 will result in estimated savings of $240 million compared to a conventional procurement approach. Construction started in August 2008 and will be completed by fall 2011.

To date, $1.8 billion has been approved to be alternatively financed through P3s.

The *Alberta Schools Alternative Procurement Phase One (ASAP I)* project includes the design, building, financing and 30-year maintenance of 18 schools, nine in Edmonton and nine in Calgary. A P3 model was used for the procurement of the schools and is providing estimated savings of $118 million over a conventional procurement approach. The 18 new schools are under construction and scheduled to open in September 2010.

The *Southeast Stoney Trail ring road project* in Calgary is under procurement as a P3 Design-Build-Finance-Operate project. The project is 25 kilometres long with 29 bridge structures. The P3 procurement is expected to provide cost savings and allow the ring road segment to be opened by fall 2013, which is two years earlier than if a traditional approach were used. Construction is expected to commence in early 2010.

Other P3 procurements are currently being considered. A second package of schools, ASAP Phase Two, was announced in January 2008 and will deliver schools in Calgary and Edmonton and surrounding regions. ASAP Phase Two will build on the model of ASAP Phase One.

The government will also consider the remaining segments of the Edmonton and Calgary ring roads and could consider other social infrastructure projects for P3 procurement if they have the potential to generate value for money. Additional P3 projects could include health care, post-secondary and water/wastewater treatment facilities.

Over the past several months, the global financial crisis, including the current global economic downturn and the uncertainty in capital markets worldwide, has spawned a significant level of uncertainty in Canadian financial markets as a whole, and has presented specific challenges to privately financed capital projects. While challenges in the capital markets will likely persist for some time, Alberta will continue to monitor the situation closely, adapt its P3 approach if required and will continue to use P3 procurements in appropriate applications where value for money can be demonstrated.

Alberta is committed to maintaining transparency and completeness in how it treats its P3 projects in its financial statements. The ring roads are government assets, so the capital asset and the corresponding liability are recorded on the government's balance sheet as the project is constructed. Schools constructed as part of ASAP I will be owned by the school boards, even though the government signed the agreement. The government will show the value of these schools as a capital expense and will also record the corresponding liability. These methods of showing P3s are consistent with generally accepted accounting principles, which the government is committed to following.

The following table summarizes the projected use of alternative financing for the 2009-12 period:

Alternative Capital Financing Summary
(millions of dollars)

	2009-10 Estimate	2010-11 Target	2011-12 Target
Opening balance sheet liability	916	2,662	4,283
Additional P3 liabilities[a]	653	534	842
Direct borrowing for capital	1,100	1,100	1,100
Principal repayment	(7)	(13)	(21)
Closing balance sheet liability	2,662	4,283	6,204
Interest payments	38	93	159

[a] Represents only the portion of assets being alternatively financed.

Capital Plan Details

(millions of dollars)

	2009-10 Estimate	2010-11 Target	2011-12 Target	3-Year Total
Municipal Infrastructure Support				
Municipal Sustainability Initiative	350	1,150	1,237	2,737
Municipal transportation grants	352	319	364	1,035
Federal Gas Tax Fund	191	200	200	591
Alberta Municipal Infrastructure Program	486	-	-	486
Green TRIP	10	150	360	520
Building Canada Communities Component	66	110	-	176
Other support	36	36	1	73
Total Municipal Infrastructure Support	**1,491**	**1,965**	**2,162**	**5,618**
Provincial Highway Network				
Calgary Ring Road	156	663	823	1,642
Edmonton Ring Road	485	486	242	1,213
Highway construction	427	368	391	1,186
Highway rehabilitation	229	267	160	656
Rural and Urban North-South Trade Corridors	173	140	120	433
Northeast Alberta Transportation Corridor	283	138	-	421
Other economic corridors	89	74	92	255
Total Provincial Highway Network	**1,842**	**2,136**	**1,828**	**5,806**
Health Facilities and Equipment				
New facilities and expansions	161	1,031	1,135	2,327
Capital maintenance and renewal	84	89	95	268
Health information systems	80	93	65	238
Vaccines	44	42	32	118
Total Health Facilities and Equipment	**369**	**1,255**	**1,327**	**2,951**
Schools				
New facilities and expansions	509	275	365	1,149
Capital maintenance and renewal	252	148	128	528
Total Schools	**761**	**423**	**493**	**1,677**
Post-Secondary Facilities				
New facilities and expansions	363	379	128	870
Capital maintenance and renewal	121	100	107	328
Other support	6	6	6	18
Total Post-Secondary Facilities	**490**	**485**	**241**	**1,216**

Capital Plan Details – continued

(millions of dollars)

	2009-10 Estimate	2010-11 Target	2011-12 Target	3-Year Total
Community Facilities				
Community Facility Enhancement Program	38	38	38	114
Parks capital maintenance and renewal	18	18	18	54
Other support	24	9	59	92
Total Community Facilities	**80**	**65**	**115**	**260**
Water and Wastewater Management				
Regional water/wastewater projects - *Water for Life*	100	83	190	373
Municipal Water and Wastewater Partnership grants	88	50	50	188
Irrigation rehabilitation grants	29	24	24	77
Carseland-Bow River Headworks System rehabilitation	20	23	4	47
Other support	17	8	5	30
Total Water and Wastewater Management	**254**	**188**	**273**	**715**
Housing				
Affordable Housing Program	178	73	217	468
Homelessness Prevention Initiative	100	100	200	400
Affordable Supportive Living Initiative	50	50	50	150
Total Housing	**328**	**223**	**467**	**1,018**
Government Facilities, Equipment and Other Capital				
Carbon Capture and Storage	100	300	400	800
Edmonton Remand Centre replacement	310	180	47	537
Federal Building retrofit and parkade	180	151	17	348
Climate Change and Emissions Management Fund	71	59	84	214
Information Management and Technology Strategy	93	60	-	153
Eco-Trust for Clean Air and Climate Change	39	39	39	117
Capital maintenance and renewal	17	10	10	37
Other support	542	305	260	1,107
Total Government Facilities, Equipment and Other Capital	**1,352**	**1,104**	**857**	**3,313**
Unallocated Provision	**212**	**113**	**255**	**580**
Total Capital Plan	**7,179**	**7,957**	**8,018**	**23,154**

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ECONOMIC OUTLOOK

BUDGET2009

BUILDING ON
OUR STRENGTH

ECONOMIC OUTLOOK

BUDGET2009

BUILDING ON
OUR STRENGTH

TABLE OF CONTENTS

ECONOMIC OUTLOOK

Summary and Key Assumptions 116
Key Energy and Economic Assumptions 116
Economic Outlook 2009 to 2013 117
Global Financial Crisis Deepens 120
Industrial Production Falls 120
North American Job Losses Accelerate 121
Consumers Lose Confidence 121
Currencies Slump Against US Dollar 122
Global Growth Prospects Deteriorating 122
Unprecedented Monetary Easing 123
Massive Fiscal Stimulus 123
Recovery in Global Oil Demand 124
Strengthening Oil Prices 124
Rising US Natural Gas Supplies 125
Restrained Natural Gas Prices 125
Business Investment to Recover in 2011 126
Construction Costs to Ease 126
Oil Exports to Rise 127
Natural Gas Exports to Fall 127
Solid Crop and Livestock Prices 128
Temporary Manufacturing Slowdown 128
Employment Growth to Recover in 2010 129
Rise in Unemployment 129
Wage Growth Returns to Normal 130
Inflation to Ease 130
Interprovincial Migration to Recover 131
Housing Starts In Line with Demographics 131
Personal Income to Remain Flat until 2011 132
Corporate Profits to Recover in 2010 132
Alberta's Economy to Recover in 2010 133

ANNEX:
RISKS, SENSITIVITIES AND BENCHMARKING 135

Risks to the Economic Outlook 136
Sensitivities to Fiscal Year Assumptions, 2009-10 136
Oil Price Benchmark 137
How Oil Price Forecasters Did in Budget 2008 137
Natural Gas Price Benchmark 138
How Natural Gas Price Forecasters Did in Budget 2008 138
Alberta Real Gross Domestic Product Benchmark 139
Canada/United States Exchange Rate Benchmark 139
Canadian Short Term Interest Rate Benchmark 140
Canadian Long Term Interest Rate Benchmark 140
Alberta Personal Income Benchmark 141
Alberta Corporate Profits Benchmark...................... 141
Alberta Housing Starts Benchmark......................... 141
Alberta Employment Benchmark 142
Alberta Unemployment Rate Benchmark.................... 142

SUMMARY AND KEY ASSUMPTIONS

- Alberta is facing its first recession since 1986, with the economy expected to contract by 2% in 2009. Real business investment is expected to drop by almost a quarter due to the sharp decline in energy prices, tight credit markets and the global recession. Although government infrastructure and incentive programs are expected to keep job losses relatively modest, the unemployment rate is expected to rise to 6.5% by 2010.
- The global economy is expected to stabilize in late 2009 and the recovery to get underway in 2010. Rising energy prices and stronger exports are expected to lead to a modest recovery in economic growth to 1.8% in 2010. Alberta's real economic growth is expected to return to an average of about 3% over the medium term and the unemployment rate to return to 4.6% by 2013.

Key Energy and Economic Assumptions

Fiscal Year Assumptions	**2007-08 Actual**	**2008-09 Estimates**	**2009-10**	**2010-11**	**2011-12**	**2012-13**
Prices						
Crude Oil Price						
WTI (US$/bbl)	82.25	85.50	55.50	64.50	72.50	76.00
Alberta Wellhead (Cdn$/bbl)[a]	73.80	81.77	57.95	64.24	70.31	73.66
Bitumen @ Edmonton (Cdn$/bbl)[b]	43.53	60.10	32.71	36.13	39.27	40.92
Natural Gas Price						
Alberta Reference Price (Cdn$/GJ)	5.92	7.00	5.50	6.00	6.25	6.50
Production						
Conventional crude oil (000s barrels/day)	520	498	469	457	451	441
Raw bitumen (000s barrels/day)	1,257	1,398	1,934	2,155	2,478	2,812
Natural gas (billions of cubic feet)	5,104	4,857	4,566	4,325	4,154	4,006
Interest rates						
3-month Canada treasury bills (per cent)	3.84	1.75	0.60	1.90	4.00	4.00
10-year Canada bonds (per cent)	4.18	3.40	3.05	3.65	4.75	4.75
Exchange Rate (US¢/Cdn$)	97.10	89.50	83.50	87.50	90.00	90.00

Calendar Year Assumptions	**2008 Actual**	**2009**	**2010**	**2011**	**2012**	**2013**
Gross Domestic Product						
Nominal (millions of dollars)	289,063[c]	251,579	268,281	285,862	305,355	325,162
per cent change	11.6	-13.0	6.6	6.6	6.8	6.5
Real (millions of 2002 dollars)	190,213[c]	186,502	189,842	195,445	201,948	208,236
per cent change	1.5	-2.0	1.8	3.0	3.3	3.1
Other Indicators						
Employment (thousands)	2,013	1,998	2,017	2,059	2,104	2,147
per cent change	2.8	-0.8	1.0	2.1	2.2	2.1
Unemployment rate (per cent)	3.6	5.8	6.5	6.2	5.5	4.6
Average Weekly Earnings (per cent change)	4.8[c]	2.5	2.3	2.5	3.0	3.0
Personal Income (per cent change)	7.8[c]	1.8	2.8	4.6	5.5	5.2
Corporate Profits (per cent change)	21.8[c]	-49.6	28.8	16.1	12.1	10.9
Housing starts (number of units)	29,164	22,300	24,100	24,400	25,300	26,800
Alberta Consumer Price Index (per cent change)	3.1	1.0	1.7	2.0	2.0	2.0
Population (thousands)	3,585	3,652	3,714	3,777	3,843	3,912
per cent change	2.1	1.9	1.7	1.7	1.7	1.8

[a] Refers to the average price per barrel of Alberta light, medium and heavy oil.

[b] The bitumen price is an estimate of the price at Edmonton and is not an actual market price.

[c] Alberta Finance and Enterprise estimate. Average weekly earnings are preliminary 2008 from Statistics Canada.

ECONOMIC OUTLOOK 2009 TO 2013

GLOBAL ECONOMIC RECOVERY EXPECTED IN 2010

- The worst financial crisis since the 1930s has caused the first synchronized downturn in developed countries since the Second World War. Consumer and business confidence have suffered. With lower consumer spending and investment, employment and industrial production are falling in major economies. All major developed economies are now in recession and growth has slowed significantly in emerging markets.
- Governments in major developed economies have taken extraordinary actions to stabilize the financial system and to stem the fallout in economic activity. Interest rates are at historic lows in Canada, the United States and Europe, and have also been lowered significantly in emerging markets.
- Low interest rates, a traditional tool of monetary policy, have so far been largely ineffective in supporting economic growth. Massive deleveraging, concerns about counterparty risk and falling asset prices are restraining lending to consumers and businesses. The global economy is in recession, with the US economy expected to contract by 3% in 2009 and the Canadian economy by 2%.
- Major economies are resorting to expansionary fiscal policies to boost aggregate demand. This, along with extraordinary measures to support the global financial system, is expected to stabilize the global economy by the end of 2009 and lay the foundation for a modest recovery in 2010. Global economic growth in 2010 is expected to come in around 2%, well below its recent five-year average of 4.6%.
  - The lingering effects of the credit crisis and the sharp deterioration in US labour markets suggest a slow US recovery in 2010, with growth of only 1.5%.
  - Economic growth in Canada is expected to recover more strongly, to 2.7% in 2010. Canada's financial sector, which has been rated the soundest in the world, is not facing the same daunting problems as in the US.
  - Economic growth in both the US and Canada is expected to average around 3% over the medium term.

COMMODITY PRICES TO STRENGTHEN

- With the expected recovery in economic activity and stabilization of credit conditions, demand for crude oil and natural gas is expected to rebound in 2010, which should support a recovery in oil and natural gas prices. Oil prices are likely to get a further lift from supply constraints as the credit crisis and low prices have curtailed investment in the energy sector. Oil prices are forecast to average US$55.50/bbl in 2009-10 and to increase to US$76.00/bbl by 2012-13.

- Natural gas prices have taken a sharp hit from falling US industrial demand and rising supplies. Alberta natural gas prices are expected to average Cdn$5.50/GJ in 2009-10. With the projected recovery in US industrial demand and moderation in US gas production, natural gas prices are expected to recover modestly to Cdn$6.00/GJ in 2010-11, rising to Cdn$6.50/GJ in 2012-13.
- Although grain prices have declined from the highs reached last summer, they are likely to be above the recent five-year average. Cattle and hog prices are likely to improve slightly over the forecast period due in part to a sustained contraction in North American livestock production. Total farm cash receipts in Alberta rose over 15% in 2008. In contrast to falling demand for industrial commodities, demand for food products is still strong with some shifting in consumer buying patterns and more "at-home" meal consumption. Rising incomes in emerging markets are expected to sustain healthy global food prices over the forecast period.

TEMPORARY DECLINE IN INVESTMENT AND EXPORTS

- With significant declines in energy prices and worsening global economic conditions, real business investment in Alberta is expected to drop by about a quarter in 2009. Oil sands-related investment is expected to fall by roughly half in 2009 as several companies have cancelled or postponed large scale projects in Alberta. Ongoing volatility and uncertainty suggest no significant rebound until 2011. By that time, improving oil prices, lower costs and a more stable economic outlook are likely to make many projects economic, increasing investment expenditures gradually over the 2011 to 2013 period.
- The average number of rigs drilling was down 35% in the first two months of 2009 compared to the same period last year, in line with Statistics Canada's survey of investment intentions. The government's two-year $1.5 billion incentive program should help cushion the decline in conventional energy investment. Non-residential construction investment in the conventional energy sector is expected to decline by roughly a quarter in 2009 and gradually recover over the forecast period as energy prices strengthen.
- Despite increased exports of grains and oil sands production, Alberta's overall exports are expected to decline in 2009. Manufacturing exports are likely to be hard hit by the global recession. Natural gas exports are expected to decline over the forecast period because of rising consumption within Alberta and declining overall production. The anticipated recovery in US and global demand is expected to provide a lift to Alberta exports from 2010 to 2013.

CONSUMERS ALSO RECOVER IN 2010

- Despite the economic contraction, government support for the economy is expected to limit the decline in average employment between 2008 and 2009 to 15,000. The unemployment rate is forecast to increase from an average of 3.6% in 2008 to 5.8% in 2009.
- Higher unemployment and declines in asset values are expected to keep housing starts and retail sales weak in 2009. Even so, consumers in Alberta are likely to weather this downturn better than their counterparts in the rest of Canada as Albertans have the highest per capita incomes among the provinces. Housing starts are forecast to recover over the medium term supported by improved affordability and stronger economic activity.
- Employment is forecast to recover moderately in 2010, but the unemployment rate is expected to increase to 6.5% due to continued growth in the labour force. With the economic recovery gaining momentum, employment is projected to record solid growth between 2011 and 2013. The unemployment rate is forecast to fall to 4.6% by 2013. Improving labour market conditions are expected to lift real consumer spending to a sustainable pace of over 3% in the medium term.

INFLATION AND COST PRESSURES TO EASE

- Sharp declines in commodity prices, moderating shelter costs and the global recession have significantly lowered Alberta's inflation rate. Alberta's CPI inflation rate is expected to average 1% in 2009 and to remain around the Bank of Canada's target of 2% over the remainder of the forecast period.
- With labour market shortages easing and inflation falling, wage pressures are likely to subside, improving the competitive position of the Alberta economy. Moreover, the global economic recession and credit crisis have lowered prices of many construction materials, such as copper, steel and aluminum. Hence, construction costs are expected to fall in 2009 and remain moderate over the forecast period.

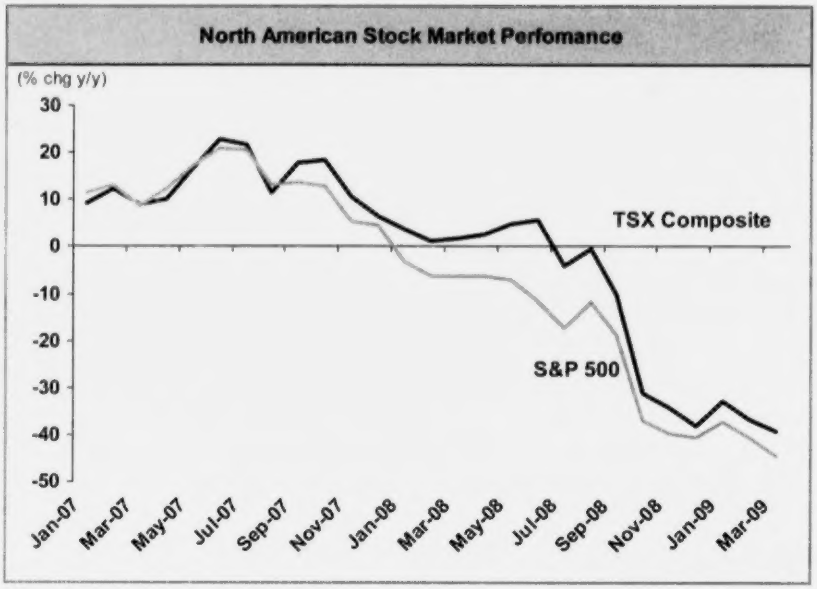
ALBERTA ECONOMIC GROWTH RETURNS TO A SUSTAINABLE PACE

- The Alberta economy is entering its first recession after more than 20 years of uninterrupted growth. With improvements in global economic conditions and financial markets, consumer and investor confidence is expected to improve and support a modest recovery in economic growth to 1.8% in 2010. Higher consumer and business expenditures are projected to boost employment and incomes in Alberta over the medium term. With cost pressures abating and commodity prices improving, Alberta's economic growth is expected to average 3.1% over the 2011 to 2013 period.

Global Financial Crisis Deepens

“The collapse of the global credit boom”, as described by the US Federal Reserve Chairman, Ben Bernanke, brought about the failure or near-failure of several major financial institutions in the United States and Europe. Investor confidence has been severely affected and global equity prices plummeted in mid-September as credit markets seized up.

Since the beginning of 2008, Canada's TSX composite has lost nearly 40%, while the S&P 500 in the United States has dropped almost 50%.

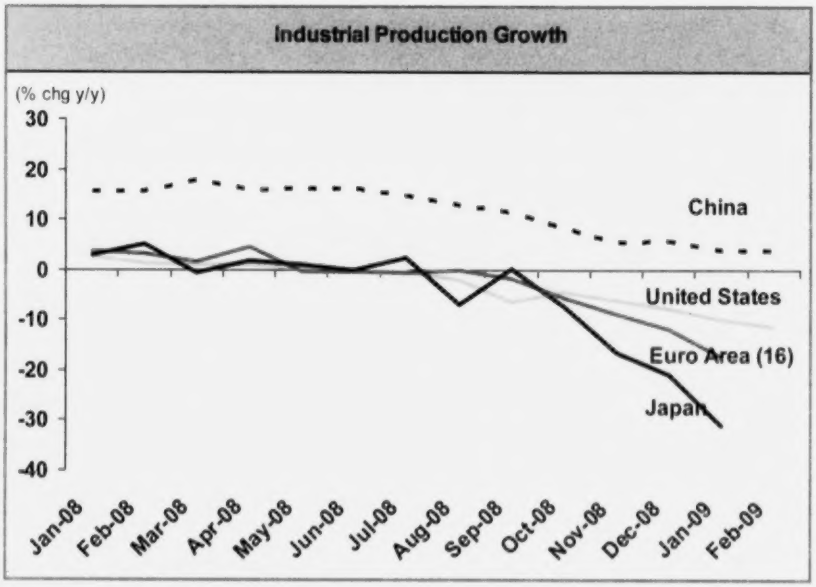


Source: Yahoo Finance. Data as of March 20, 2009.

Industrial Production Falls

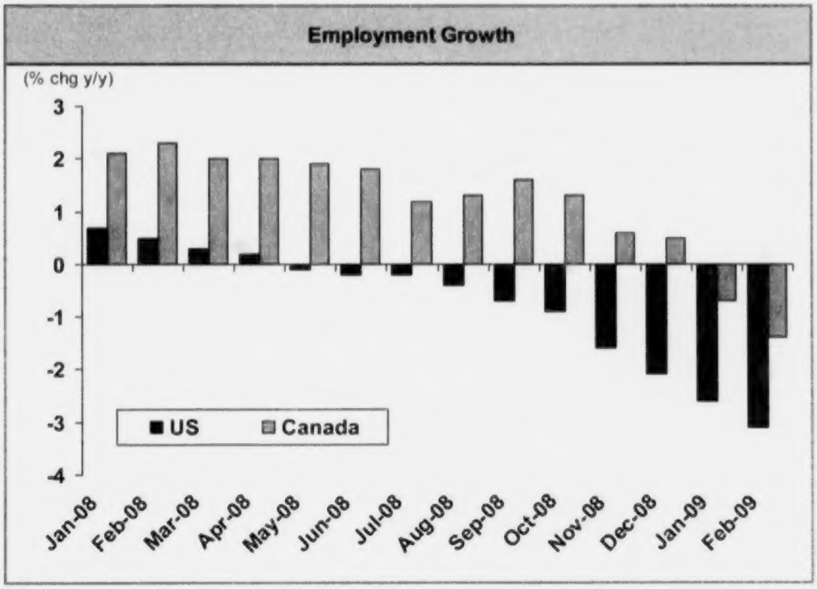
The deepening global financial crisis has spilled over into the real economy. Companies are dramatically cutting back production as a result of declining demand for almost everything from cars to toys.

Export-dependent economies have fared particularly poorly. In January 2009, total industrial production dropped by 31.0% in Japan, compared to the same period a year earlier; in China, growth in industrial production dropped to 3.8%, a sharp decline from the annual growth of 18.5% recorded in 2007.



Sources: US Federal Reserve Board, European Central Bank, Ministry of Economy, Trade and Industry (Japan) and National Bureau of Statistics of China.

North American Job Losses Accelerate



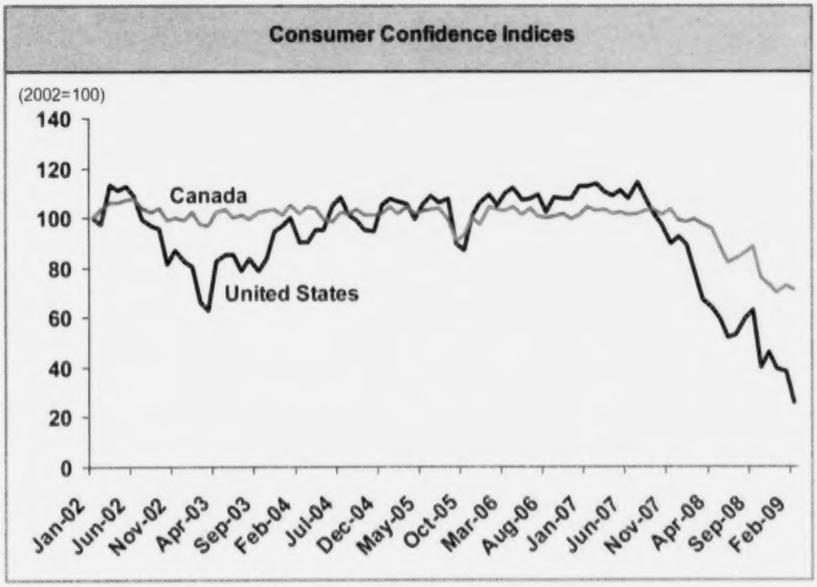
Sources: Statistics Canada and US Bureau of Labor Statistics.

Although the US officially entered a recession in December 2007, almost 60% of the 4.4 million job losses have occurred in the last four months.

The deepening US recession has now affected Canada. In January 2009, Canadian employment experienced its first year-over-year decline in nearly 16 years.

Canada's economy contracted by an annualized 3.4% in the last quarter of 2008, while the US economy contracted by 6.2%.

Consumers Lose Confidence



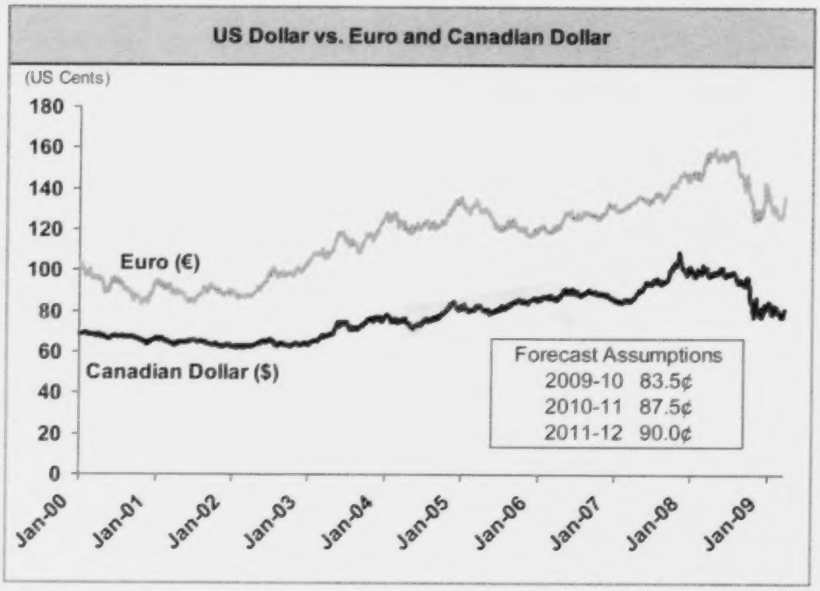
Sources: The Conference Board (US) and The Conference Board of Canada.

Falling employment and the collapse in the US housing market have driven consumer confidence to an all time low in the United States. Worsening global economic and credit conditions have also hurt confidence in Canada. Canadian consumer confidence has retreated to its 1982 recession level, weighing heavily on consumer spending. The Canadian housing market and retail sales have weakened sharply since late 2008.

Most currencies have weakened against the US dollar since mid-2008, reversing a long-standing trend. The Canadian dollar has dropped from near par in early August to around 80 US cents as the US dollar picked up strength due to the repatriation of profits, liquidation of overseas assets and the global flight to safety.

The Canadian dollar is expected to appreciate over the medium term as the global economy and energy markets recover and as the US dollar weakens in response to rising deficits.

Currencies Slump Against US Dollar

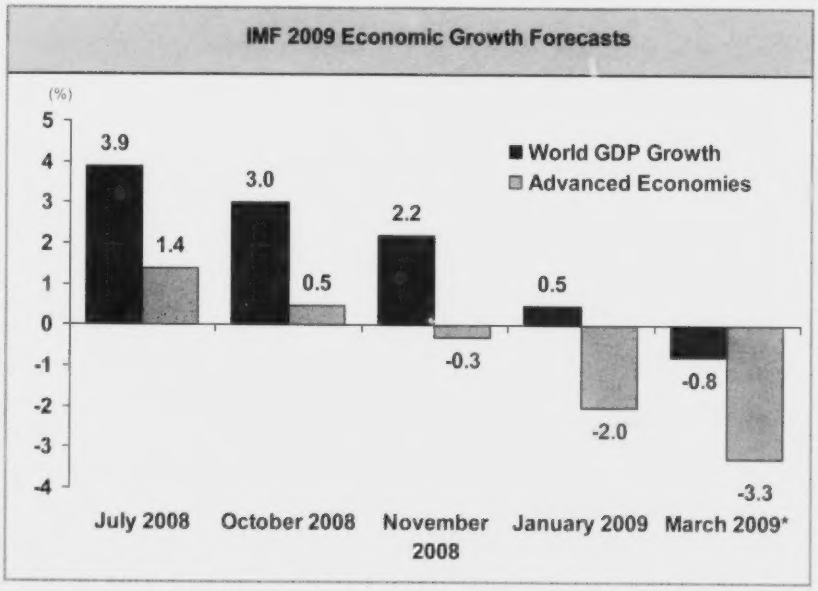


Sources: Bank of Canada, US Federal Reserve Board and Alberta Finance and Enterprise.

Global growth prospects have deteriorated sharply since the fall of 2008. As an example, the International Monetary Fund (IMF) has downgraded its 2009 world economic growth outlook four times since last summer; the IMF now expects that the advanced economies will contract by 3.0–3.5% in 2009, the first such contraction in post-war history.

The Alberta government expects the US economy to contract by 3% in 2009, Japan by 6%, Europe by 3% and Canada by 2%.

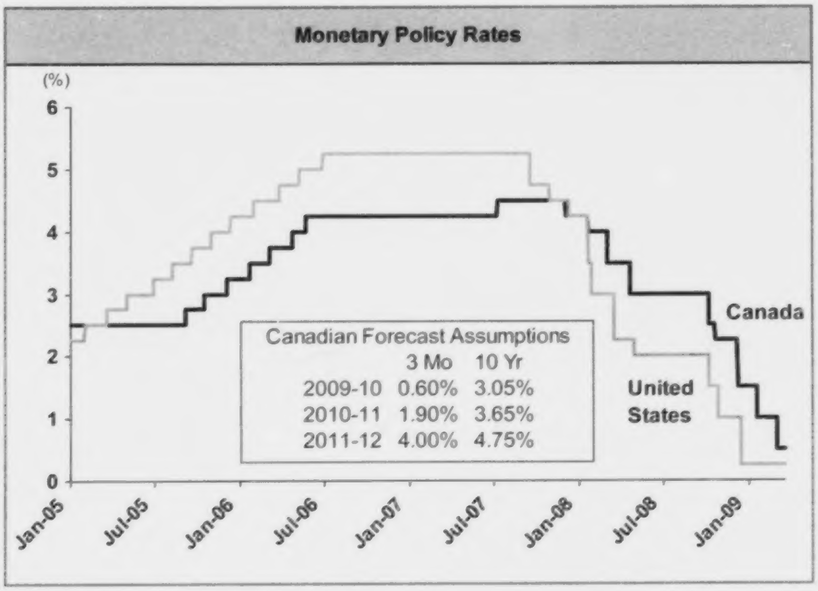
Global Growth Prospects Deteriorating



Source: International Monetary Fund.

* IMF forecasts advanced economies to contract by 3.0-3.5% and the world to contract by 0.5-1.0%.

Unprecedented Monetary Easing



Canadian Forecast Assumptions

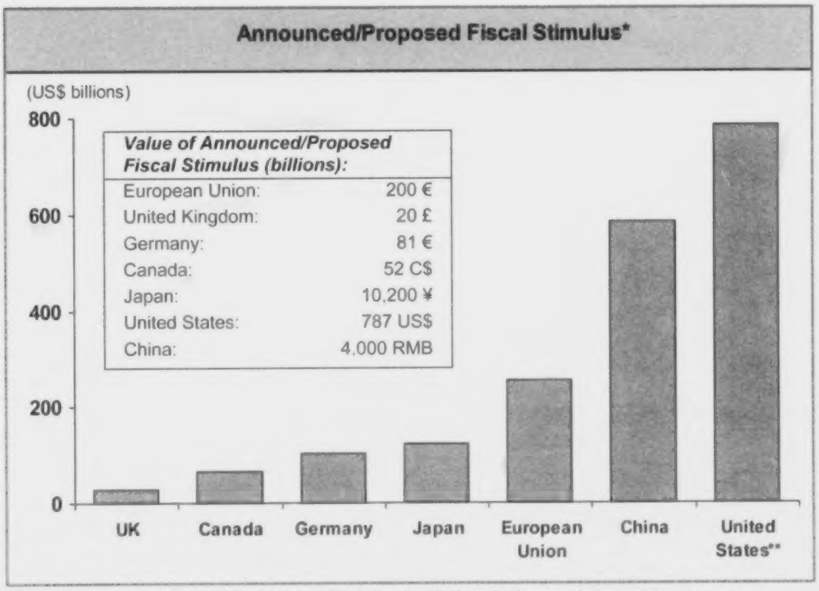
	3 Mo	10 Yr
2009-10	0.60%	3.05%
2010-11	1.90%	3.65%
2011-12	4.00%	4.75%

Sources: Bank of Canada, US Federal Reserve Board and Alberta Finance and Enterprise.

Central banks and government authorities in major developed countries have taken extraordinary measures to stabilize financial markets and to cushion the impact of the economic downturn. In addition to massive injections of liquidity into financial institutions, central banks have aggressively slashed key policy rates to historical lows.

Interest rates are expected to remain low in 2009, but to rise gradually in 2010 as the global economy recovers.

Massive Fiscal Stimulus



Value of Announced/Proposed Fiscal Stimulus (billions):	
European Union:	200 €
United Kingdom:	20 £
Germany:	81 €
Canada:	52 C$
Japan:	10,200 ¥
United States:	787 US$
China:	4,000 RMB

* All figures have been converted to US dollars with the closing exchange rates on March 10, 2009.

** This excludes the $150 billion stimulus package passed by the Bush Administration.

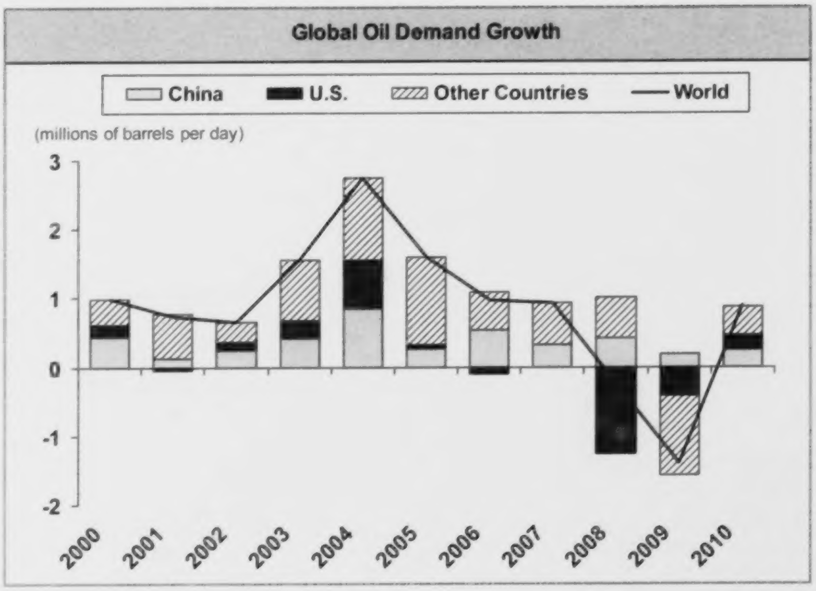
Sources: Various Government Authorities.

Since the fall of 2008, governments around the world have also introduced substantial fiscal stimulus packages to support economic activity. The IMF estimates that this still falls short of their recommendation for a stimulus equal to 2% of world GDP, particularly in 2010.

Once financial markets are stabilized, this fiscal stimulus and low interest rates are expected to lead to a modest recovery in global economic growth to around 2% in 2010. Economic growth is expected to strengthen to 1.5% in the US and 2.7% in Canada in 2010.

Recovery in Global Oil Demand

Rapid growth and rising consumption in major emerging markets like China were key factors driving up world oil prices in recent years. Moderating growth in emerging markets is not expected to offset a sharp fall in OECD demand in 2009. With the global recession intensifying, the US Energy Information Administration is projecting global oil consumption to fall by nearly 1.4 million barrels per day in 2009 and then rise in 2010 when the global economy recovers.

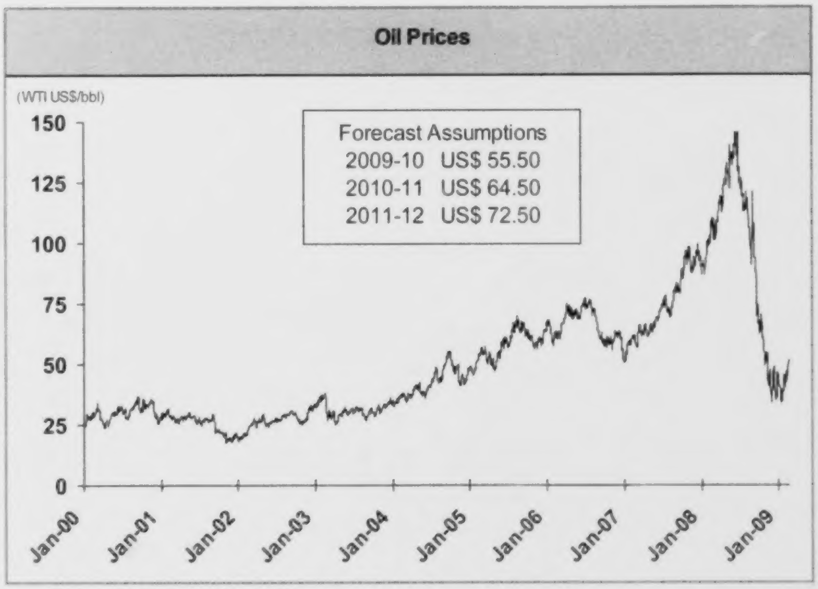


Source: US Energy Information Administration.

Strengthening Oil Prices

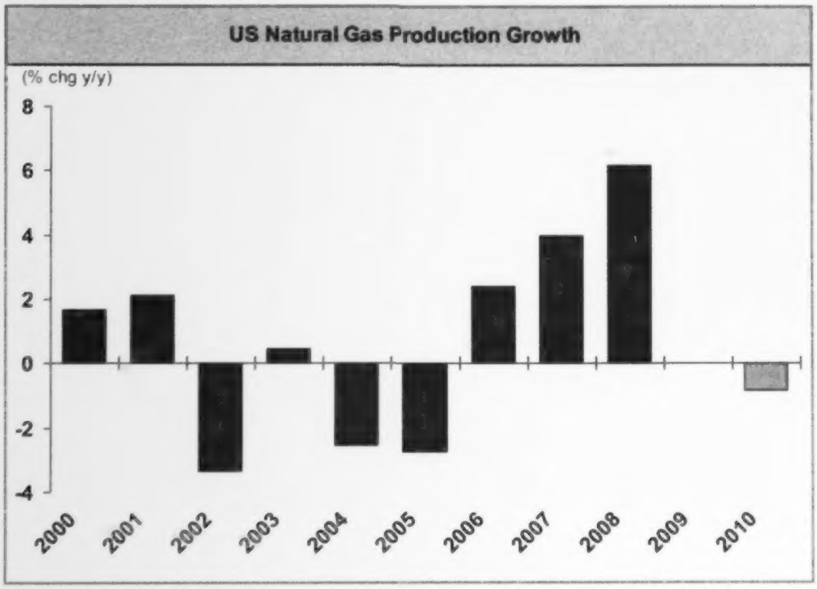
The sharp drop in world oil prices since the summer of 2008 has been a response to the global recession. OPEC has reduced output in an attempt to contain falling prices in the short term.

Lower supplies and a recovering global economy should provide some support to oil prices in 2010 and beyond. Prices are forecast to rise from US$55.50/bbl in 2009-10 to US$72.50/bbl by 2011-12.



Source: Alberta Energy.

Rising US Natural Gas Supplies

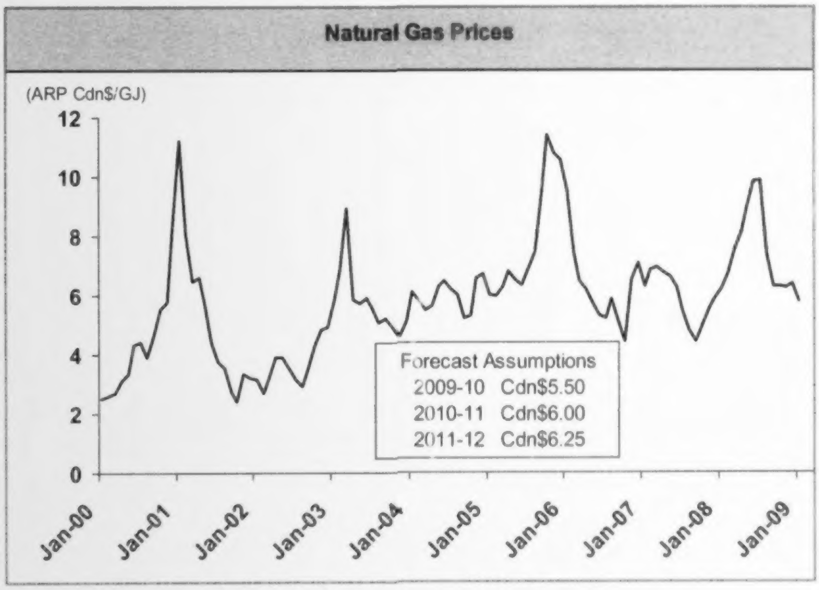


Source: US Energy Information Administration.

Higher prices and technological advancements in shale gas have boosted US natural gas production over the last three years.

With US production rising and consumption falling, natural gas inventories are up sharply, creating extreme downward pressure on prices.

Restrained Natural Gas Prices



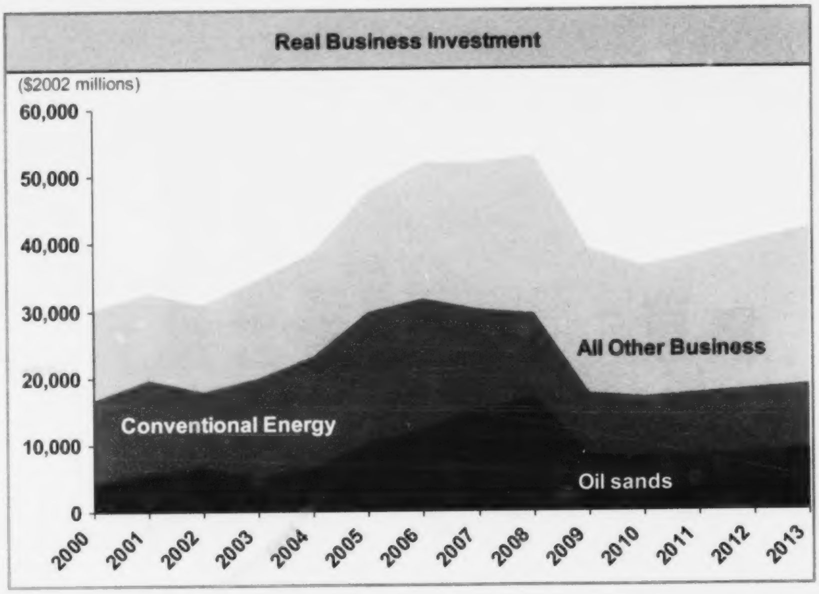
Source: Alberta Energy.

The Alberta Reference Price, which peaked at Cdn$9.84 per gigajoule in July 2008, fell to Cdn$5.77 per gigajoule in January 2009.

Natural gas prices are expected to average Cdn$5.50/GJ in 2009-10 and to increase gradually to Cdn$6.25/GJ by 2011-12 as the US economy recovers and natural gas consumption rises.

Business Investment to Recover in 2011

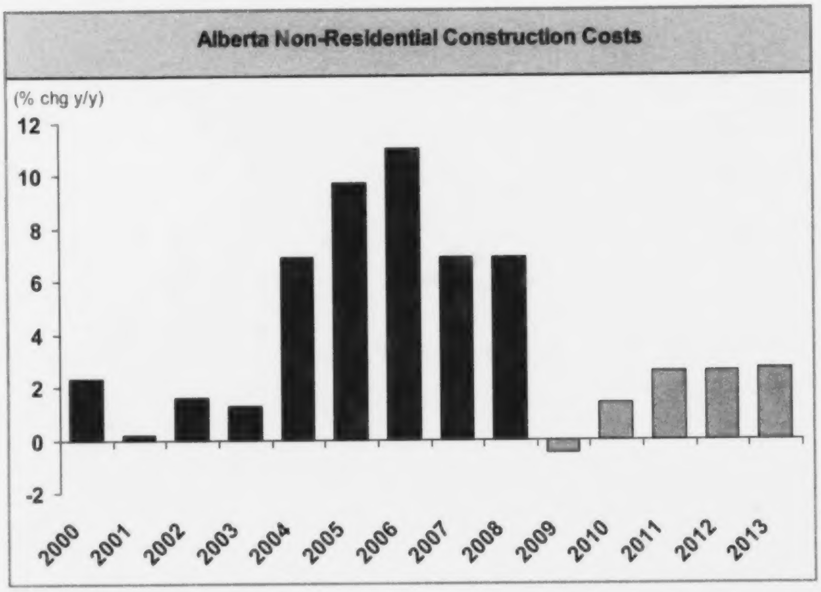
Business investment, particularly in oil sands, was a key factor driving Alberta's recent boom. Plunging oil prices and limited access to credit markets resulted in major projects being delayed in late 2008. Oil sands investment is expected to fall by a half in 2009. Although drilling activity was down 35% in the first two months of 2009 relative to last year, the government's drilling stimulus program is expected to limit the overall decline in conventional energy investment to about a quarter in 2009. Non-energy investment is also expected to weaken in response to the global recession. Total business investment is forecast to begin recovering in 2011.



Sources: Statistics Canada and Alberta Finance and Enterprise.

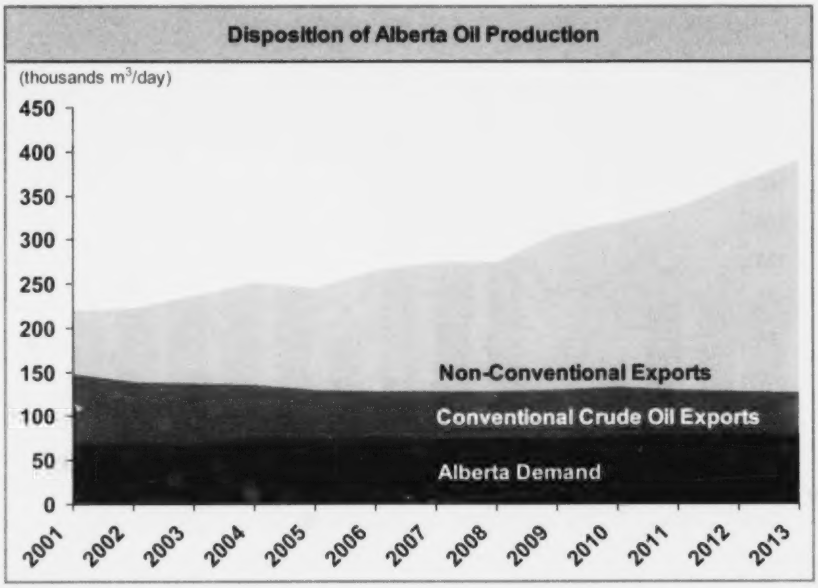
Construction Costs to Ease

The investment boom has contributed to a rapid escalation in construction costs in recent years. In the past few months, prices of steel, copper, and aluminum have declined sharply. Construction costs are expected to fall in 2009 and growth to remain restrained over the forecast horizon. This should improve investment returns for future large-scale projects and create a more sustainable pace of growth.



Sources: Statistics Canada and Alberta Finance and Enterprise.

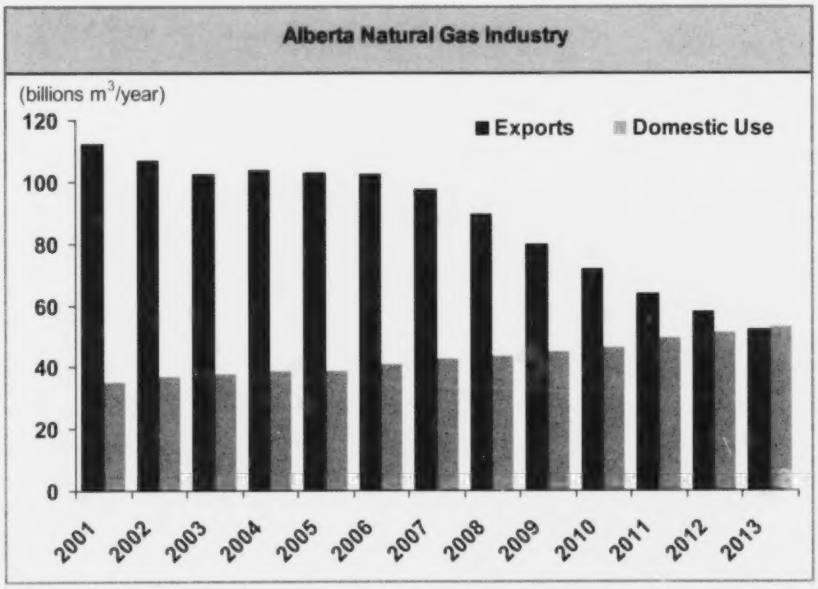
Oil Exports to Rise



Sources: Energy Resources Conservation Board and Alberta Finance and Enterprise.

Despite the sharp fall in investment, new production from recently completed projects and projects near completion will lead to higher oil sands output in 2009 and 2010. Rising output is expected to lift oil exports over the forecast period.

Natural Gas Exports to Fall



Sources: Energy Resources Conservation Board and Alberta Finance and Enterprise.

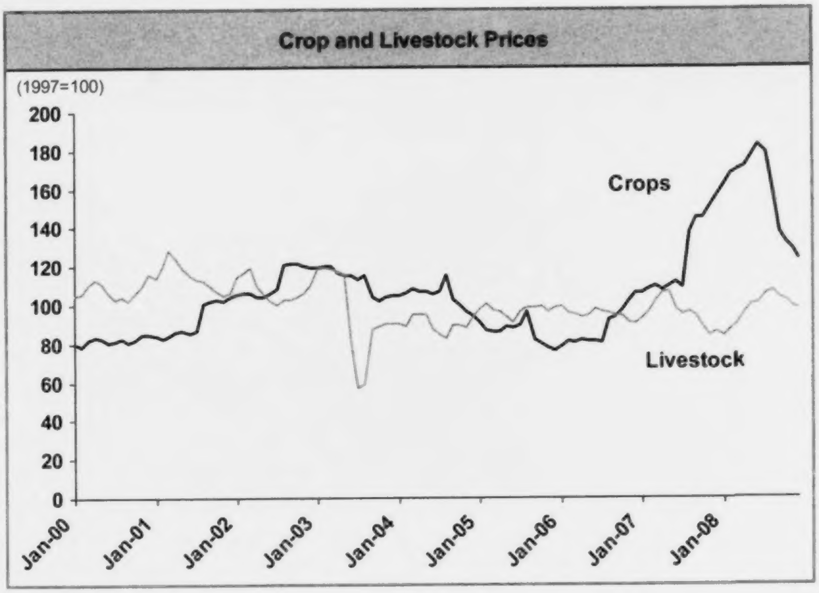
Conventional natural gas production is expected to decline by an average of 4.6% annually from 2009 to 2013.

At the same time, consumption within Alberta is rising, in part because of increased use in oil sands production. As a result, natural gas exports are expected to fall significantly, dampening the growth in Alberta's total energy exports. By 2013, it is expected that about half of Alberta's gas production will be consumed domestically.

Solid Crop and Livestock Prices

Crop prices fell sharply in the second half of 2008, following eleven months of sustained increases. Livestock prices declined as well, though not to the same extent.

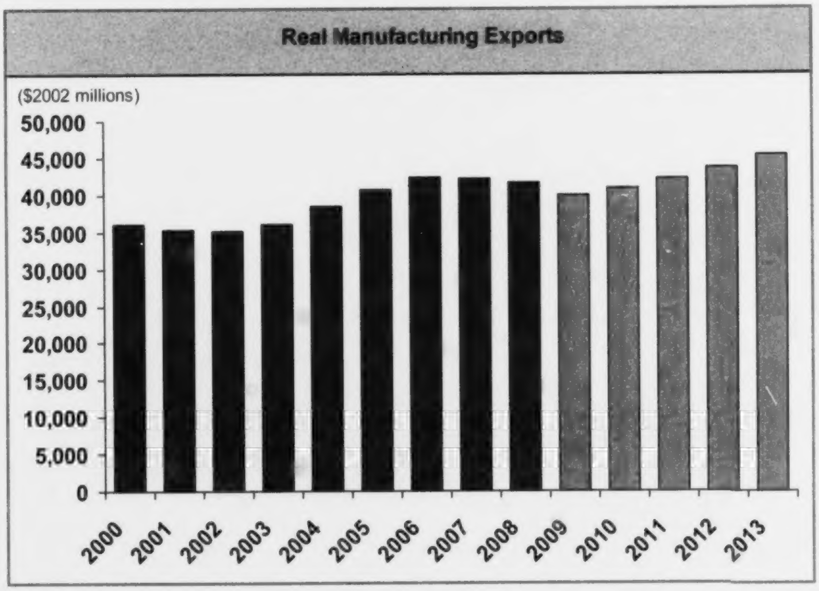
The medium term outlook for agricultural prices remains relatively robust as improving living standards in emerging markets are expected to increase global demand for food products.



Source: Statistics Canada.

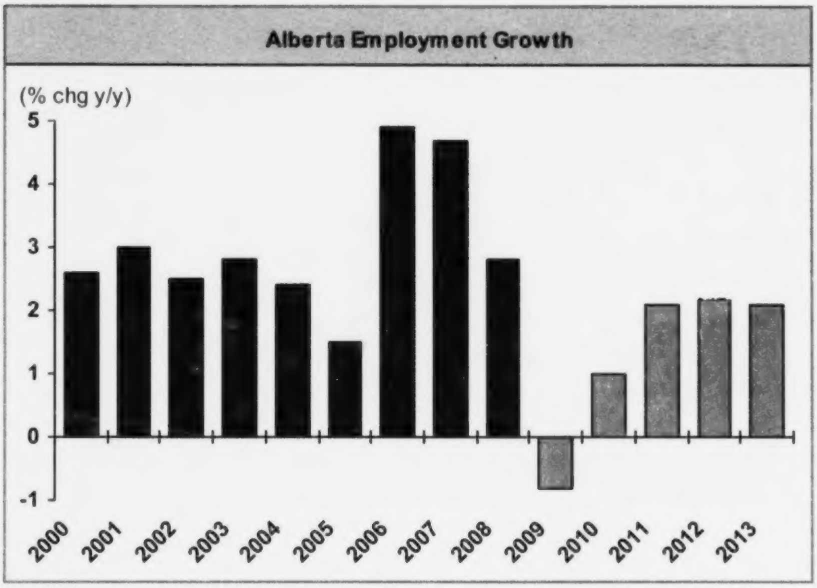
Temporary Manufacturing Slowdown

Manufacturing exports declined slightly in 2008 and are expected to weaken further in 2009. The global recession is lowering demand for petrochemicals, fabricated metals and forestry products. After 2009, manufacturing exports are expected to increase in line with global growth.



Source: Alberta Finance and Enterprise.

Employment Growth to Recover in 2010

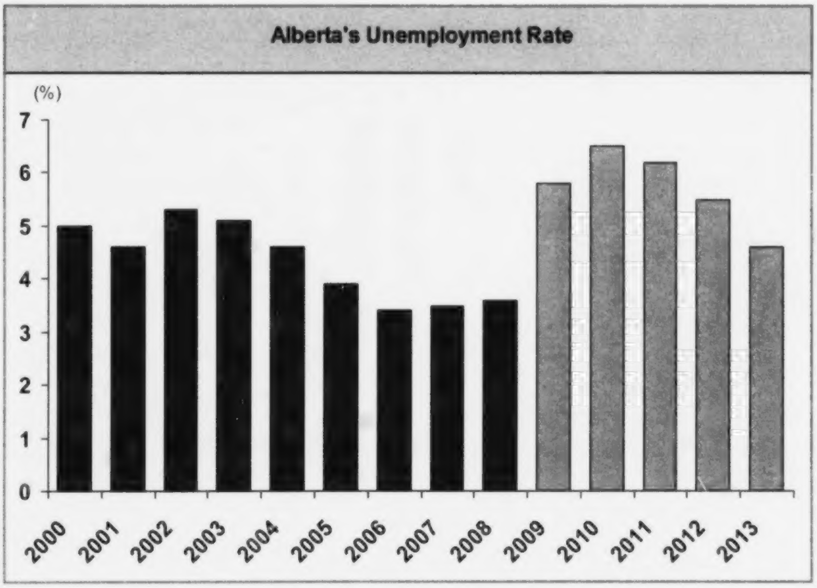


Sources: Statistics Canada and Alberta Finance and Enterprise.

Government support is expected to help moderate the decline in average employment between 2008 and 2009 to 15,000 despite the recession.

Employment growth is expected to pick up from 2010 to 2013 as business and consumer confidence rebounds and investment recovers.

Rise in Unemployment



Sources: Statistics Canada and Alberta Finance and Enterprise.

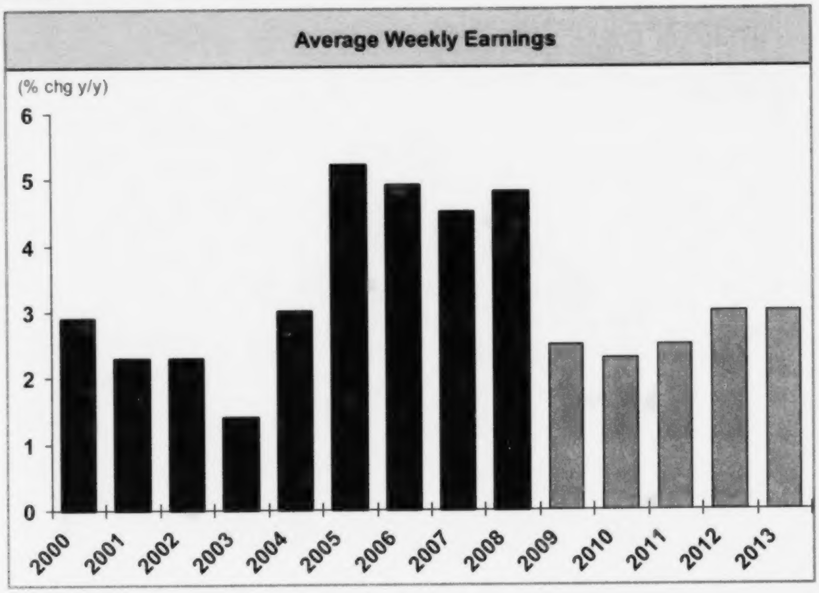
Job losses are expected to increase Alberta's unemployment rate to 5.8% in 2009. The unemployment rate is expected to peak at 6.5% in 2010 as labour force growth outpaces growth in employment.
This is still below levels prevailing in the mid-1990s.

With continued growth in employment, the unemployment rate is expected to fall to 4.6% by 2013.

Wage Growth Returns to Normal

Growth in average weekly earnings is expected to ease to 2.5% in 2009. Despite slower growth in wages, Albertans are likely to see real wage gains of over 1% as inflation subsides.

With the pick up in economic activity, wage growth is expected to average 3% over the medium term, in line with productivity growth and inflation.

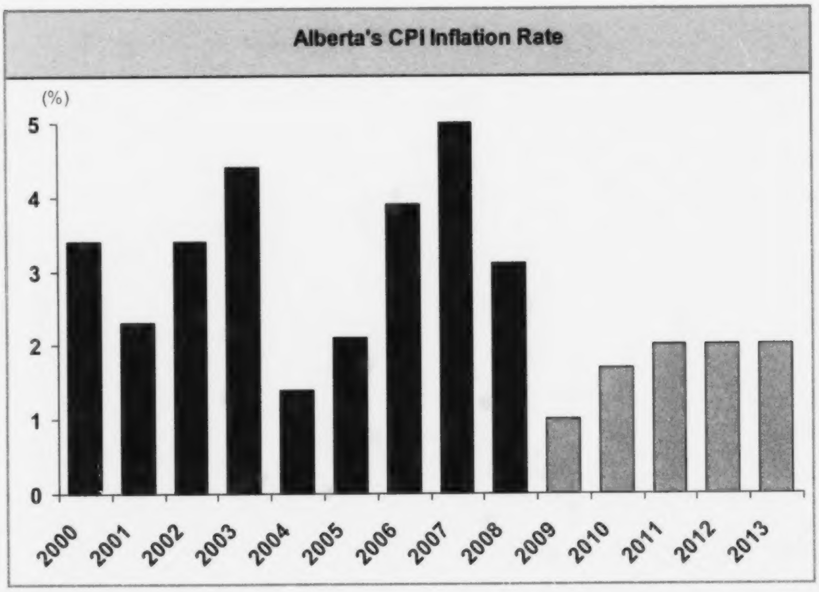


Sources: Statistics Canada and Alberta Finance and Enterprise.

Inflation to Ease

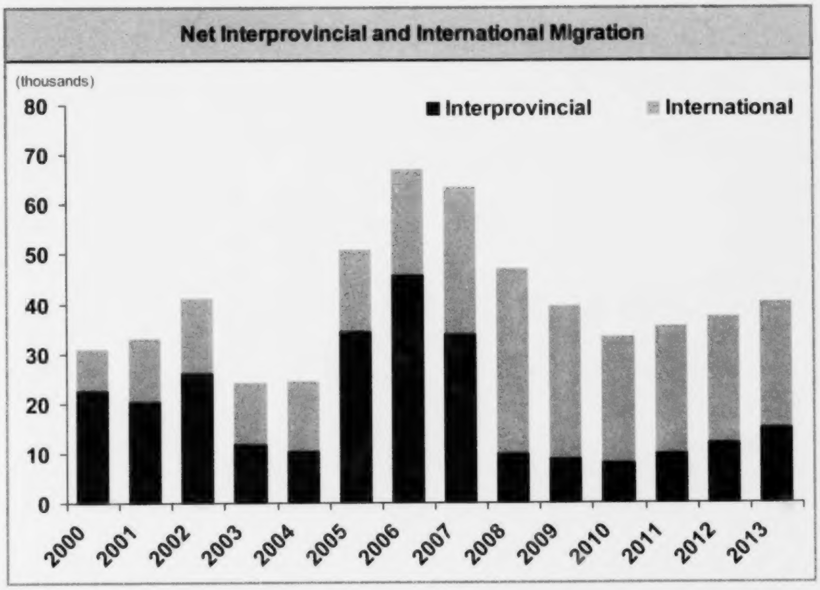
Lower energy costs and minimal gains in house prices reduced Alberta's inflation rate to 3.1% in 2008 from 5.0% in 2007.

Alberta is no longer the inflation leader among the provinces. Inflation is expected to average 1.0% in 2009 and 1.7% in 2010, before returning to its long-run expected rate of 2% in 2011.



Sources: Statistics Canada and Alberta Finance and Enterprise.

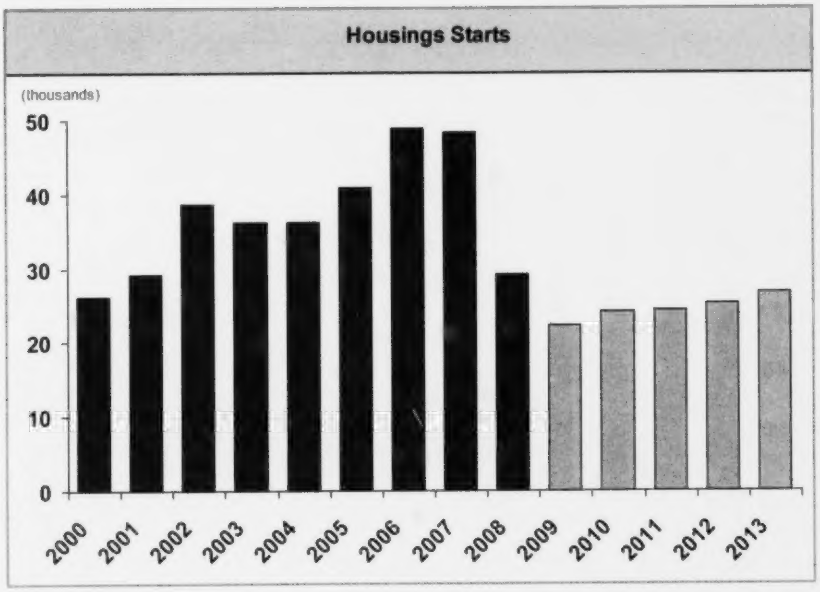
Interprovincial Migration to Recover



Sources: Statistics Canada and Alberta Finance and Enterprise.

Although international migration remained robust in 2008, it is expected to soften in 2009 and 2010. The number of interprovincial migrants fell sharply in 2008 and is expected to remain at relatively low levels in the short term. However, interprovincial migration is projected to revert to its long-run average of about 15,000 over the medium term, leading to a slight increase in overall net migration.

Housing Starts In Line with Demographics



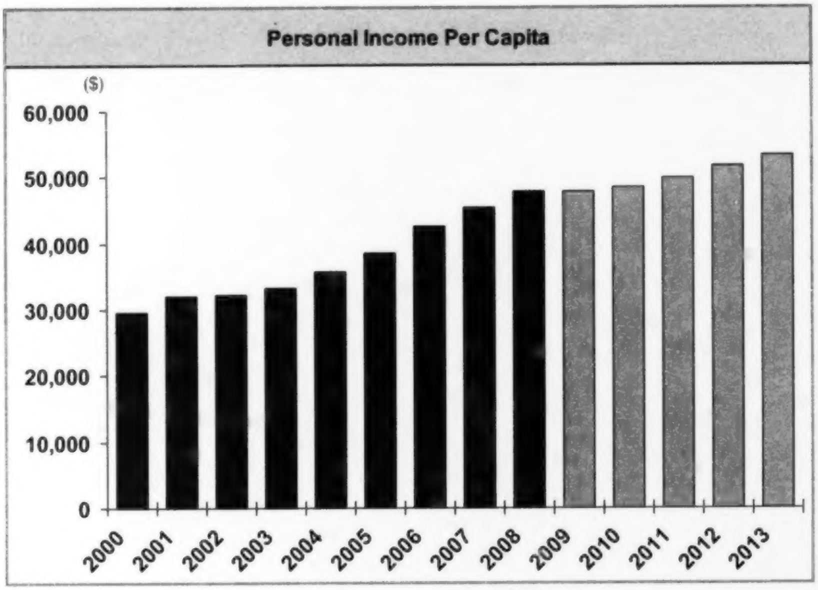
Sources: Canada Mortgage and Housing Corporation and Alberta Finance and Enterprise.

The housing market correction that began in late 2007 is likely to continue through 2009. The number of housing starts will fall further in response to fewer migrants coming to Alberta and widespread weakness in consumer confidence.

Over the medium term, housing starts are expected to stabilize in line with demographic requirements.

Personal Income to Remain Flat until 2011

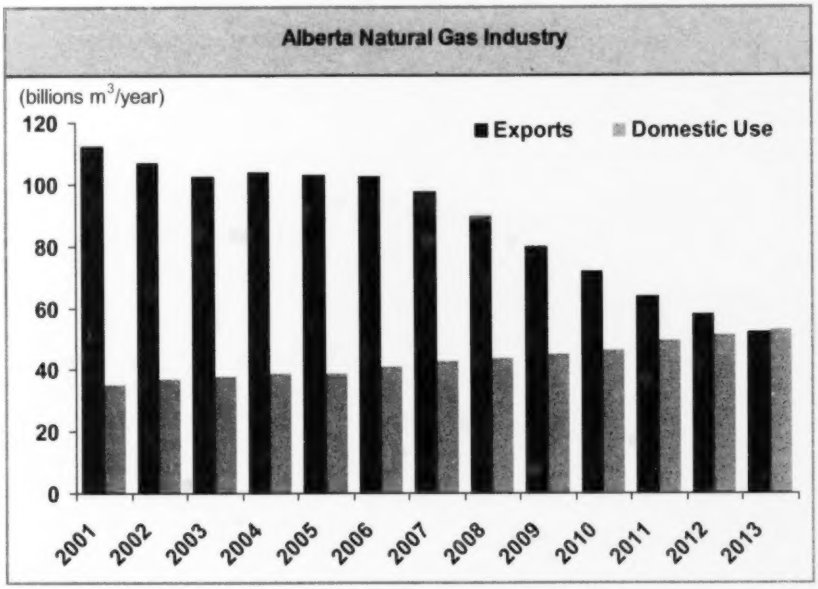
Personal incomes have risen rapidly in recent years, but growth in per capita personal income will be minimal in 2009 and 2010 due to more modest wage growth and lower investment income. Income growth is expected to strengthen in 2011, as the economic recovery in Alberta takes hold. Albertans continue to have the highest per capita personal income among the provinces.



Sources: Statistics Canada and Alberta Finance and Enterprise.

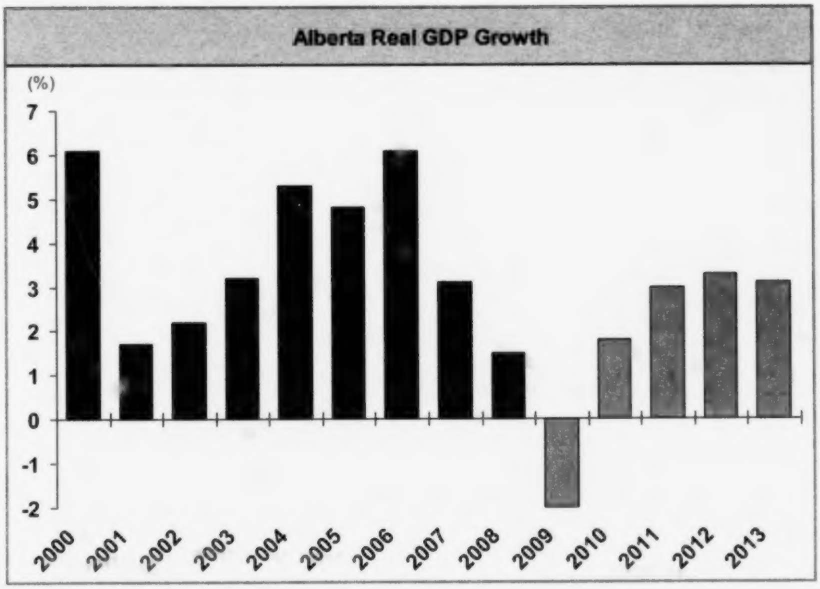
Corporate Profits to Recover in 2010

In recent years, corporate profits have been high by historical standards, typically exceeding 20% of nominal GDP. In 2009, corporate profits are projected to fall in response to the weak global economy and low oil prices. A recovering Alberta economy and rising energy prices are expected to lift corporate profits in later years.



Sources: Statistics Canada and Alberta Finance and Enterprise.

Alberta's Economy to Recover in 2010



Sources: Statistics Canada and Alberta Finance and Enterprise.

During the boom between 2004 and 2006, Alberta's real economic growth averaged 5.4%, an unsustainable pace. Alberta is now facing its first recession since 1986, with the economy forecast to contract by 2.0% in 2009.

The Alberta economy is expected to post a modest recovery in 2010 with growth of 1.8%.

Stronger exports, rising business investment and consumer spending will support growth during the forecast period. Economic growth is projected to average 3.1% during the 2011-2013 period.

ANNEX RISKS, SENSITIVITIES AND BENCHMARKING

RISKS TO THE ECONOMIC OUTLOOK

PROLONGED GLOBAL RECESSION

- The timing and strength of the global economic recovery remain highly uncertain. A deeper and protracted downturn in credit markets may prolong the current global downturn to 2010 or 2011. This could happen if the US stimulus package fails to work and/or monetary policy is ineffective. Under this scenario, the downturn in Alberta could be protracted.
- The global recovery could be threatened if countries become more protectionist, dampening global trade and worsening the downturn. This could keep oil and gas prices low, which could threaten a recovery in Alberta's investment over the medium term.

US DOLLAR INSTABILITY

- A sustained and broad-based weakening of the US dollar because of worsening economic and fiscal fundamentals could destabilize financial and currency markets. Volatile financial and currency markets could choke global growth and lower energy prices. This could make the recovery in Alberta short lived.

A MORE RAPID RECOVERY

- There is a low probability that the recovery in the US and other major economies could be stronger than expected, causing consumer and business confidence to bounce back more quickly. In this scenario, business and consumer expenditures could rebound quickly, leading to a milder downturn and a more rapid recovery in economic activity and energy prices. In this case, economic growth and inflation in Alberta could be stronger than projected.

Sensitivities to Fiscal Year Assumptions, 2009-10 [a]

(millions of dollars)

	Change	Net Impact (2009-10)
Oil Price (WTI US$/bbl)	-$1.00	-143
Natural Gas Price (Cdn$/GJ)	-10 Cents	-126
Exchange Rate (US¢/Cdn$)	+ 1 Cent	-221
Interest Rates	+1%	-212
Equity Market Value	-1%	-69
Personal Income	-1%	-127
Corporate Taxable Income	-1%	-16

[a] Sensitivities are based on current assumptions of prices and rates and show the effect for a full 12 month period. Sensitivities can vary significantly at different price and rate levels. The energy price sensitivities do not include the potential impact of price changes on the revenue from land sales. The interest rate sensitivity has two components, an increase in cash interest income and a capital loss. When interest rates rise, bond prices go down, causing a capital loss.

Oil Price Benchmark

West Texas Intermediate (US$/bbl)

Organization	2009	2010	2011	2012	2013
National Forecasting Agencies					
Conference Board of Canada (Feb/09)	46.17	53.28	62.09	71.17	79.05
Global Insight (Jan/09)	34.25	51.25	77.38	86.75	92.75
Centre for Spatial Economics (Jan/09)	45.00	55.00	75.00	90.00	96.50
Banks and Investment Dealers					
BMO Capital Markets (Jan/09)	45.00	65.00	n/a	n/a	n/a
Credit Suisse (Feb/09)	60.00	80.00	100.00	100.00	100.00
CIBC World Markets (Jan/09)	50.00	83.75	n/a	n/a	n/a
Goldman Sachs (Jan/09)	45.00	70.00	90.00	105.00	85.00
JP Morgan (Feb/09)	43.25	55.00	n/a	n/a	n/a
National Bank Financial Equity Research (Feb/09)	50.00	60.00	70.00	80.00	80.00
Peters & Co Limited (Feb/09)	47.55	55.60	63.79	63.79	63.79
RBC Capital Markets (Jan/09)	52.62	62.85	67.49	69.80	71.60
Scotiabank (Mar/09)	48.00	65.00	n/a	n/a	n/a
Toronto Dominion Bank (Dec/08)	36.25	66.25	n/a	n/a	n/a
Industry Analysts					
Canadian Energy Research Institute (Feb/09)	44.25	43.00	n/a	n/a	n/a
U.S. Energy Information Administration (Mar/09)	42.06	53.17	n/a	n/a	n/a
GLJ Petroleum Consultants (Jan/09)	57.50	68.00	74.00	85.00	92.01
Sproule Associates Limited (Feb/09)	48.66	56.76	61.55	76.89	81.18
Confidential Forecasts Provided to Alberta Energy[a]					
Average	51.76	65.84	75.61	78.88	81.31
High	76.00	87.00	100.00	105.00	100.00
Low	34.25	43.00	48.25	49.46	48.22
Average of All Private Forecasts	48.52	62.83	74.62	81.52	83.23
Alberta Government (calendar year)	**50.81**	**62.72**	**70.76**	**75.13**	**79.06**

[a] The Alberta Department of Energy also surveys, on a confidential basis, private sector forecasts from PIRA, KBC, Petral, Purvin & Gertz, CERA, Tristone, CGES, Wood Mackenzie and Ross Smith Energy. The annual figures presented here are the average forecast prices from these sources.

Includes forecasts finalized on or before March 10, 2009.

How Oil Price Forecasters Did in Budget 2008

West Texas Intermediate (US$/bbl)

Organization	How did they do in Budget 2008?
National Forecasting Agencies (3)	90.42
Investment Dealers (6)	92.22
Industry Analysts (4)	90.24
Confidential Forecasts (8)	85.30
Average	**88.95**
Alberta Government (calendar year)	**81.84**
Actual	**99.65**

Sources: Alberta Finance and Enterprise and Alberta Energy.

Both the Government of Alberta and the private sector substantially underestimated oil prices for 2008.

Natural Gas Price Benchmark

Henry Hub (US$/MMBTU)[a]

Organization	2009	2010	2011	2012	2013
National Forecasting Agencies					
Conference Board of Canada (Feb/09)	5.78	6.63	8.27	9.93	10.74
Global Insight (Jan/09)	5.83	7.06	7.86	8.15	9.05
Centre for Spatial Economics (Jan/09)	5.80	6.50	6.50	6.90	7.00
Banks and Investment Dealers					
BMO Capital Markets (Jan/09)	5.50	6.75	n/a	n/a	n/a
Credit Suisse (Jan/09)	6.50	8.00	8.50	8.50	8.50
CIBC World Markets (Jan/09)	5.28	8.00	n/a	n/a	n/a
JP Morgan (Feb/09)	5.16	6.63	n/a	n/a	n/a
National Bank Financial Equity Research (Feb/09)	5.00	6.00	7.00	7.50	7.50
Peters & Co Limited (Feb/09)	4.74	6.08	6.86	6.86	6.86
RBC Capital Markets (Jan/09)	6.38	7.49	7.68	7.64	7.58
Scotiabank (Mar/09)	5.00	6.65	n/a	n/a	n/a
Toronto Dominion Bank (Dec/08)	5.73	6.63	n/a	n/a	n/a
Industry Analysts					
U.S. Energy Information Administration (Mar/09)	4.67	5.87	n/a	n/a	n/a
GLJ Petroleum Consultant (Jan/09)	7.00	7.50	8.00	8.75	9.20
Sproule Associates Limited (Feb/09)	4.94	6.36	7.01	7.92	8.12
Confidential Forecasts Provided to Alberta Energy[b]					
Average	4.85	5.73	6.52	6.76	6.91
High	7.00	8.00	8.50	9.93	10.74
Low	4.08	4.91	5.69	6.02	6.07
Average of All Private Forecasts	5.38	6.63	7.27	7.70	7.94
Alberta Government (calendar year)	5.34	6.41	6.78	7.13	7.49

[a] The natural gas price is the US price of gas at Henry Hub Louisiana, as this is the benchmark for natural gas prices in the rest of North America. The Alberta Government forecast in the table above is the Alberta Reference Price (used in natural gas royalty calculations) adjusted for the exchange rate and transportation costs to be equivalent to the price of Alberta natural gas at Henry Hub Louisiana.

[b] The Alberta Department of Energy also surveys, on a confidential basis, private sector forecasts from PIRA, Petral, RSEG, CERA and Wood MacKenzie. The annual figures presented here are the average forecast prices from these sources.

Includes forecasts finalized on or before March 10, 2009.

How Natural Gas Price Forecasters Did in Budget 2008

Henry Hub (US$/MMBTU)

Organization	How did they do in Budget 2008?
National Forecasting Agencies (2)	7.81
Investment Dealers (3)	9.15
Industry Analysts (3)	8.09
Confidential Forecasts (5)	8.37
Average	**8.40**
Alberta Government (calendar year)	**8.17**
Actual	**9.03**

Sources: Alberta Finance and Enterprise and Alberta Energy.

Both the Government of Alberta and the private sector substantially underestimated natural gas prices for 2008.

Alberta Real Gross Domestic Product Benchmark
(per cent change)

Organization	2009	2010	2011	2012	2013
National Forecasting Agencies					
Conference Board of Canada (Feb/09)	-0.5	4.0	4.9	4.8	3.6
Global Insight (Jan/09)	-1.1	3.0	4.6	3.9	3.5
Centre for Spatial Economics (Jan/09)	-0.3	1.4	2.2	2.6	3.1
Banks					
BMO Capital Markets (Mar/09)	-2.5	1.5	n/a	n/a	n/a
CIBC World Markets (Feb/09)	-1.0	2.3	n/a	n/a	n/a
RBC Royal Bank (Mar/09)	-2.3	2.7	n/a	n/a	n/a
Scotiabank (Mar/09)	-2.3	1.7	n/a	n/a	n/a
Toronto Dominion Bank (Dec/08)	-1.8	1.8	n/a	n/a	n/a
Other					
Canada Mortgage and Housing Corporation (Feb/09)	-0.7	2.0	n/a	n/a	n/a
High	-0.3	4.0	4.9	4.8	3.6
Low	-2.5	1.4	2.2	2.6	3.1
Average of All Private Forecasts	-1.4	2.3	3.9	3.8	3.4
Alberta Government (calendar year)	**-2.0**	**1.8**	**3.0**	**3.3**	**3.1**

Includes forecasts finalized on or before March 10, 2009.

Canada/United States Exchange Rate Benchmark
(US¢/Cdn$)

Organization	2009	2010	2011	2012	2013
National Forecasting Agencies					
Conference Board of Canada (Feb/09)	83.4	85.5	87.4	88.5	88.8
Global Insight (Jan/09)	80.9	88.2	94.3	96.2	96.5
Centre for Spatial Economics (Jan/09)	85.1	86.7	87.6	87.5	87.8
Banks					
BMO Capital Markets (Mar/09)	80.2	85.3	n/a	n/a	n/a
CIBC World Markets (Mar/09)	80.1	n/a	n/a	n/a	n/a
RBC Royal Bank (Mar/09)	80.0	87.0	n/a	n/a	n/a
Scotiabank (Mar/09)	76.8	84.0	n/a	n/a	n/a
Toronto Dominion Bank (Mar/09)	83.0	88.0	n/a	n/a	n/a
Laurentian Bank (Mar/09)	81.5	n/a	n/a	n/a	n/a
High	85.1	88.2	94.3	96.2	96.5
Low	76.8	84.0	87.4	87.5	87.8
Average of All Private Forecasts	81.2	86.4	89.8	90.7	91.0
Alberta Government (calendar year)	**82.7**	**86.5**	**89.8**	**90.0**	**90.0**

Includes forecasts finalized on or before March 10, 2009.

Canadian Short Term Interest Rate Benchmark

3-month Government of Canada Treasury Bills (per cent)

Organization	2009	2010	2011	2012	2013
National Forecasting Agencies					
Conference Board of Canada (Feb/09)	1.35	2.90	4.32	4.35	4.35
Global Insight (Jan/09)	0.61	1.06	2.29	3.37	4.31
Centre for Spatial Economics (Jan/09)	1.00	2.80	3.00	4.00	5.40
Banks					
BMO Capital Markets (Mar/09)	0.38	1.02	n/a	n/a	n/a
CIBC World Markets (Mar/09)	0.44	n/a	n/a	n/a	n/a
RBC Royal Bank (Mar/09)	1.10	2.00	n/a	n/a	n/a
Scotiabank (Mar/09)	0.29	0.64	n/a	n/a	n/a
Toronto Dominion Bank (Mar/09)	0.35	1.04	n/a	n/a	n/a
Laurentian Bank (Mar/09)	0.59	n/a	n/a	n/a	n/a
High	1.35	2.90	4.32	4.35	5.40
Low	0.29	0.64	2.29	3.37	4.31
Average of All Private Forecasts	0.68	1.64	3.20	3.91	4.69
Alberta Government (calendar year)	**0.55**	**1.45**	**3.65**	**4.00**	**4.00**

Includes forecasts finalized on or before March 10, 2009.

Canadian Long Term Interest Rate Benchmark

10-Year Government of Canada Bonds (per cent)

Organization	2009	2010	2011	2012	2013
National Forecasting Agencies					
Conference Board of Canada (Feb/09)	3.73	4.14	4.93	5.24	5.42
Global Insight (Jan/09)	2.48	3.51	5.01	5.59	5.59
Centre for Spatial Economics (Jan/09)	2.60	5.20	5.30	5.00	6.40
Banks					
BMO Capital Markets (Mar/09)	2.91	3.14	n/a	n/a	n/a
CIBC World Markets (Mar/09)	3.27	n/a	n/a	n/a	n/a
RBC Royal Bank (Mar/09)	2.60	3.35	n/a	n/a	n/a
Scotiabank (Mar/09)	2.50	3.30	n/a	n/a	n/a
Toronto Dominion Bank (Mar/09)	2.79	3.09	n/a	n/a	n/a
Laurentian Bank (Mar/09)	2.65	n/a	n/a	n/a	n/a
High	3.73	5.20	5.30	5.59	6.40
Low	2.48	3.09	4.93	5.00	5.42
Average of All Private Forecasts	2.84	3.68	5.08	5.28	5.80
Alberta Government (calendar year)	**3.00**	**3.45**	**4.55**	**4.75**	**4.75**

Includes forecasts finalized on or before March 10, 2009.

Alberta Personal Income Benchmark

(per cent change)

Organization	2009	2010	2011	2012	2013
Conference Board of Canada (Feb/09)	3.6	5.2	6.0	5.8	5.5
Global Insight (Jan/09)	2.9	3.1	5.3	5.8	5.7
Centre for Spatial Economics (Jan/09)	2.3	3.7	4.5	6.8	7.6
Toronto Dominion Bank (Feb/09)	-1.5	4.5	5.5	n/a	n/a
High	3.6	5.2	6.0	6.8	7.6
Low	-1.5	3.1	4.5	5.8	5.5
Average of All Private Forecasts	1.8	4.1	5.3	6.1	6.3
Alberta Government (calendar year)	**1.8**	**2.8**	**4.6**	**5.5**	**5.2**

Note: Total personal income is used as oppposed to per capita personal income.
Includes forecasts finalized on or before March 10, 2009.

Alberta Corporate Profits Benchmark

(per cent change)

Organization	2009	2010	2011	2012	2013
Conference Board of Canada (Feb/09)	-31.4	16.9	14.8	13.2	7.5
Global Insight (Jan/09)	-19.8	15.2	15.9	3.8	4.3
Centre for Spatial Economics (Jan/09)	-41.2	4.8	35.8	14.5	4.9
High	-19.8	16.9	35.8	14.5	7.5
Low	-41.2	4.8	14.8	3.8	4.3
Average of All Private Forecasts	-30.8	12.3	22.2	10.5	5.6
Alberta Government (calendar year)	**-49.6**	**28.8**	**16.1**	**12.1**	**10.9**

Includes forecasts finalized on or before March 10, 2009.

Alberta Housing Starts Benchmark

(thousands)

Organization	2009	2010	2011	2012	2013
National Forecasting Agencies					
Conference Board of Canada (Feb/09)	26.1	27.0	28.0	28.3	27.1
Global Insight (Jan/09)	25.1	30.2	30.2	30.7	29.6
Centre for Spatial Economics (Jan/09)	23.5	23.2	19.5	17.9	19.9
Banks					
BMO Capital Markets (Mar/09)	22.0	26.0	n/a	n/a	n/a
RBC Royal Bank (Mar/09)	23.8	28.0	n/a	n/a	n/a
Scotiabank (Mar/09)	19.0	22.0	n/a	n/a	n/a
Toronto Dominion Bank (Dec/08)	23.0	25.0	n/a	n/a	n/a
Other					
Canada Mortgage and Housing Corporation (Feb/09)	19.2	22.0	n/a	n/a	n/a
High	26.1	30.2	30.2	30.7	29.6
Low	19.0	22.0	19.5	17.9	19.9
Average of All Private Forecasts	23.2	25.9	25.9	25.6	25.6
Alberta Government (calendar year)	**22.3**	**24.1**	**24.4**	**25.3**	**26.8**

Includes forecasts finalized on or before March 10, 2009.

Alberta Employment Benchmark

(per cent change)

Organization	2009	2010	2011	2012	2013
National Forecasting Agencies					
Conference Board of Canada (Feb/09)	-0.1	1.7	2.8	2.2	1.6
Global Insight (Jan/09)	0.6	1.0	1.9	1.4	1.3
Centre for Spatial Economics (Jan/09)	-0.2	-0.1	0.5	1.4	2.2
Banks					
BMO Capital Markets (Mar/09)	-1.7	0.5	n/a	n/a	n/a
RBC Royal Bank (Mar/09)	-0.6	1.4	n/a	n/a	n/a
Scotiabank (Mar/09)	-1.9	0.6	n/a	n/a	n/a
Toronto Dominion Bank (Dec/08)	-0.4	0.3	n/a	n/a	n/a
Other					
Canada Mortgage and Housing Corporation (Feb/09)	0.3	1.0	n/a	n/a	n/a
High	0.6	1.7	2.8	2.2	2.2
Low	-1.9	-0.1	0.5	1.4	1.3
Average of All Private Forecasts	-0.5	0.8	1.7	1.7	1.7
Alberta Government (calendar year)	**-0.8**	**1.0**	**2.1**	**2.2**	**2.1**

Includes forecasts finalized on or before March 10, 2009.

Alberta Unemployment Rate Benchmark

(per cent)

Organization	2009	2010	2011	2012	2013
National Forecasting Agencies					
Conference Board of Canada (Feb/09)	5.0	5.2	4.7	4.2	4.0
Global Insight (Jan/09)	4.8	5.3	4.7	4.3	4.1
Centre for Spatial Economics (Jan/09)	4.9	5.7	5.6	4.8	3.7
Banks					
BMO Capital Markets (Mar/09)	5.9	6.5	n/a	n/a	n/a
CIBC World Markets (Feb/09)	5.4	5.6	n/a	n/a	n/a
RBC Royal Bank (Mar/09)	5.7	5.9	n/a	n/a	n/a
Scotiabank (Mar/09)	6.1	6.5	n/a	n/a	n/a
Toronto Dominion Bank (Dec/08)	5.0	6.0	n/a	n/a	n/a
Other					
Canada Mortgage and Housing Corporation (Feb/09)	4.8	5.3	n/a	n/a	n/a
High	6.1	6.5	5.6	4.8	4.1
Low	4.8	5.2	4.7	4.2	3.7
Average of All Private Forecasts	5.3	5.8	5.0	4.4	3.9
Alberta Government (calendar year)	**5.8**	**6.5**	**6.2**	**5.5**	**4.6**

Includes forecasts finalized on or before March 10, 2009.

TAX PLAN

BUDGET2009

BUILDING ON
OUR STRENGTH

TAX PLAN

BUDGET2009

BUILDING ON
OUR STRENGTH

TABLE OF CONTENTS

TAX PLAN

Highlights 145
Introduction. 145
Personal Taxes. 146
Alberta's Progressive Tax System 148
Corporate Taxes 150
Education Property Taxes 151
Other Initiatives. 151

LIST OF TABLES AND CHARTS

Alberta's Tax Advantage, 2009 145
Individual Savings From Health Care Insurance Premium
    Elimination, 2009 146
Alberta Non-Refundable Tax Credit Block 147
Personal and Spousal Income Tax Credit Amounts. 148
Effective Alberta Income Tax Rates. 148
Provincial Tax Levied on Tobacco. 149
Provincial Taxes Paid by a Small Business Owner 150
Education Property Tax Rates, 1994–2009. 151
2009 –10 Tax Revenue 152
2009 –10 Revenue from Tax Sources 153
Interprovincial Tax and Health Care Insurance
    Premium Comparison, 2009 154
Major Provincial Tax Rates, 2009 155

TAX PLAN

HIGHLIGHTS

- Albertans and Alberta businesses benefit from the elimination of health care insurance premiums.
- Tobacco taxes will increase by $3 per carton of cigarettes, effective midnight tonight.
- The small business income threshold increased to $500,000 on April 1.
- Education property tax rates will fall by over 16%.
- The 10% credit for scientific research and experimental development began on January 1.
- Indexation of the personal income tax system will cause credit amounts to rise 3.8%.

INTRODUCTION

Albertans pay the lowest taxes in Canada. If Alberta had the same tax system as any other province, Albertans and Alberta businesses would pay at least $10.7 billion more in taxes each year. Our advantage was improved by $1 billion this year when health care insurance premiums were eliminated.

This advantage puts Alberta in a solid position to meet the challenges posed by the current economic circumstances. Alberta has low corporate income tax rates and no capital tax, payroll tax or retail sales tax. This low corporate tax regime helps attract investment from around the world, creating opportunities for Albertans.

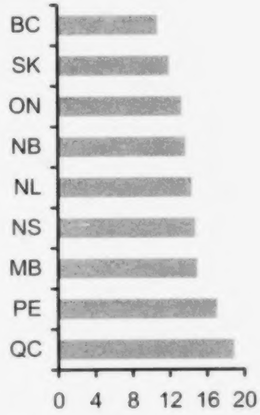
Our tax system also protects those who can least afford a large tax burden. Alberta has no retail sales tax, low fuel taxes, no health care insurance premiums and the largest basic and spousal amounts in Canada, which allow people to earn more without paying any provincial income tax.

A changing revenue outlook requires the government to be cautious before making additional tax reductions, though previously announced reductions will still go ahead. In addition to the elimination of health care insurance premiums, small business owners will benefit from an increase to the small business threshold. As well, indexing of the personal income tax system will continue.

The government is increasing tobacco taxes this year. For information on other revenue measures, including liquor markups, see the fiscal plan chapter.

ALBERTA'S TAX ADVANTAGE, 2009

($ billions)



This chart represents the additional taxes Albertans and Alberta businesses would pay if Alberta had the same tax system as other provinces.

HEALTH CARE INSURANCE PREMIUMS

Health care insurance premiums were eliminated on January 1, 2009. The elimination of premiums will return about $1 billion annually to Albertans and Alberta businesses for them to spend or invest as they see fit.

Families will benefit from this change by as much as $1,056 each year. For a two-income family earning $50,000 who paid the full premium, their provincial tax bill will be nearly 50% lower in 2009. Singles will benefit by as much as $528. Singles earning $20,000 who paid the full premium will have their taxes reduced by nearly 50%.

A two-income family earning $50,000 could see close to a 50% reduction in provincial taxes.

Individual Savings From Health Care Insurance Premium Elimination, 2009
(dollars)

Income	$20,000	$30,000	$50,000	$75,000	$125,000
Individual pays 100% of premium, employer offers no subsidy					
Single	383	528	528	528	528
One-income couple	0	570	1,056	1,056	1,056
Two-income couple [a]	0	570	1,056	1,056	1,056
One-income family [b]	0	0	1,056	1,056	1,056
Two-income family [a]	0	0	1,056	1,056	1,056
Individual pays 50% of premium, employer offers 50% subsidy [c]					
Single	239	330	348	348	359
One-income couple	0	328	697	697	718
Two-income couple [a]	0	328	660	697	697
One-income family [b]	0	0	697	697	718
Two-income family [a]	0	0	660	697	697
Individual pays 0% of premium, employer offers 100% subsidy [c]					
Single	96	132	169	169	190
One-income couple	0	86	338	338	380
Two-income couple [a]	0	86	264	338	338
One-income family [b]	0	0	338	338	380
Two-income family [a]	0	0	264	338	338

[a] Income is split 60/40 between spouses.

[b] Includes single parents with one or more children.

[c] Employees who have their premiums subsidized by their employers receive some immediate benefit from premium elimination as they no longer have to pay tax on the subsidy (the employer subsidy is treated as a taxable benefit).

INDEXATION

Alberta continues to index its personal income tax system to inflation. In 2009, credit amounts will increase 3.8%. Personal and spousal amounts will rise by $614 to $16,775. This year-over-year increase will save Albertans $115 million in 2009.

Alberta has indexed its personal income tax system since 2001. Personal and spousal amounts have increased $3,775 due to indexing, an increase of 29%. The cumulative impact of indexation since 2001 will save taxpayers over $750 million in 2009 alone.

Indexation will also increase benefits for recipients of the Alberta Family Employment Tax Credit. Beginning in July 2009, payments will rise to $694 for one child, $1,325 for two children, $1,704 for three children and $1,830 for four or more children. The income level at which the credit starts to phase out will also rise, to $33,873.

Alberta Non-Refundable Tax Credit Block

(dollars)

	2008		2009	
	Maximum Amount	Deduction from Alberta Tax	Maximum Amount	Deduction from Alberta Tax
Basic personal amount	16,161	1,616	16,775	1,678
Spousal amount	16,161	1,616	16,775	1,678
Eligible dependant amount	16,161	1,616	16,775	1,678
Age amount	4,503	450	4,675	468
Infirm dependant amount	9,355	936	9,710	971
CPP contributions	2,049	205	2,119	212
Employment Insurance contributions	711	71	732	73
Pension income amount	1,244	124	1,292	129
Disability amount	12,466	1,247	12,940	1,294
Disability supplement	9,355	936	9,710	971
Tuition and education amounts	Variable	Variable	Variable	Variable
Adoption expenses	11,053	1,105	11,473	1,147
Medical expenses	Variable	Variable	Variable	Variable
Medical expenses (other dependants)	11,053	1,105	11,473	1,147
Caregiver amount	9,355	936	9,711	971
Interest on student loans	Variable	Variable	Variable	Variable
Donations and gifts				
- first $200	200	20	200	20
- over $200	75% of income	Variable	75% of income	Variable

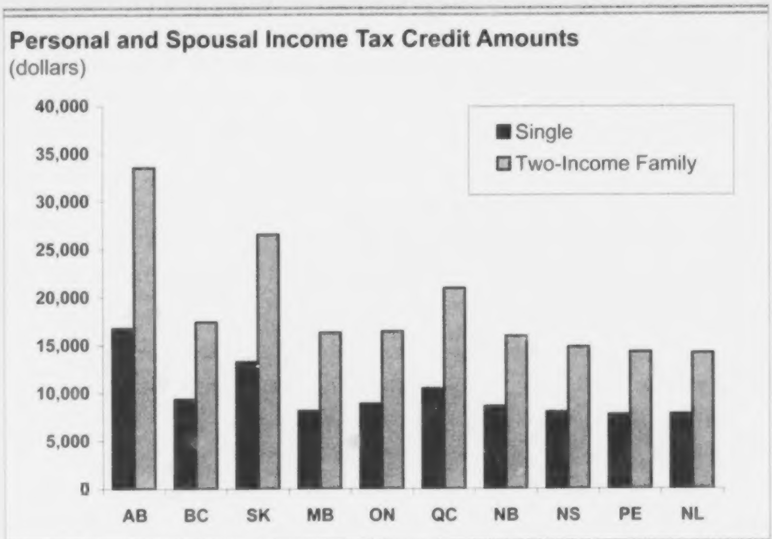
In general, credit amounts are multiplied by 10% to arrive at the deduction from Alberta tax. In the case of donations and gifts over $200 the credit rate is 21%.

ALBERTA'S PROGRESSIVE TAX SYSTEM

Alberta's personal income tax system, with its low single rate, rewards work effort and helps attract skilled labour. It also benefits those with lower incomes. Alberta's personal and spousal amounts are the highest in Canada, and allow individuals to make more money without paying any provincial income taxes.

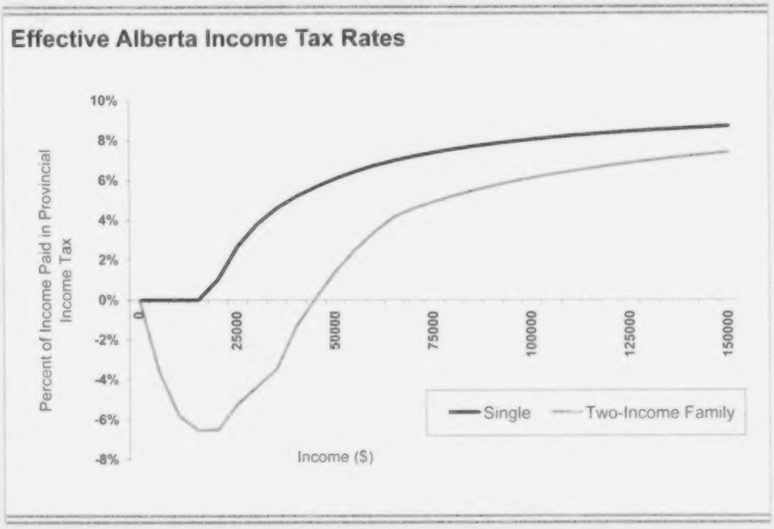
Alberta's income tax system is progressive because taxpayers with lower incomes pay a lower share of their income in income taxes than those with higher incomes. A single person earning $20,000 faces an effective income tax rate[a] of 1.0%, while someone earning $100,000 faces an effective income tax rate of 8.0%. For a two-income family with two children earning $30,000, their effective income tax rate is actually negative because they receive more money through the Alberta Family Employment Tax Credit than they pay in income taxes. If that same family earns $125,000, they would face an effective income tax rate of 6.9%.

Albertans with lower incomes also benefit because Alberta does not levy retail sales taxes or health care insurance premiums, two taxes that generally have a greater proportional impact on people with lower incomes.



Personal and Spousal Income Tax Credit Amounts
(dollars)

> *Of the 2.6 million people in Alberta who filed tax returns in 2006, nearly 40% paid no provincial income taxes, and a further 14% paid less than $1,000.*



Effective Alberta Income Tax Rates

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[a] The effective tax rate is equal to the actual tax paid divided by taxable income.

TOBACCO TAXES

Alberta's Tobacco Reduction Strategy is a multi-pronged approach to reducing tobacco use among Albertans. Tobacco taxes continue to be an important part of the Strategy by helping to encourage tobacco users to quit and to deter non-users from ever starting.

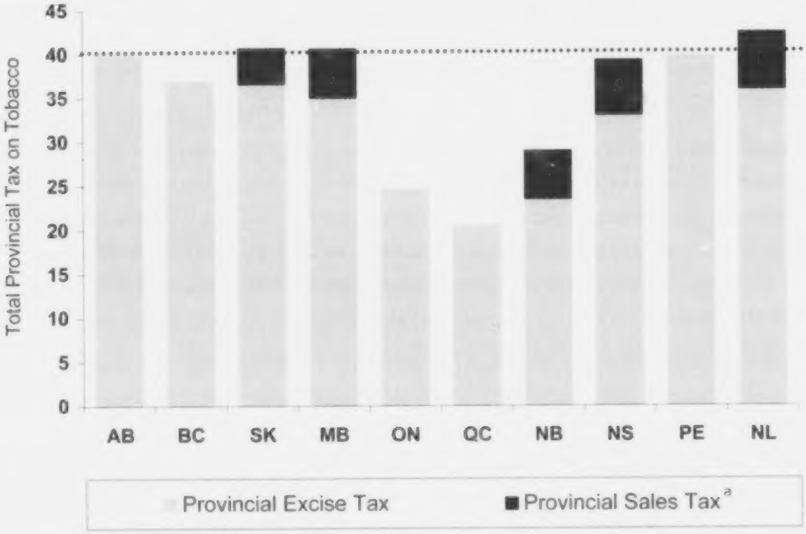
Tobacco taxes will be increased effective midnight tonight. The tax on cigarettes will be increased by $3 to $40 per carton. The tax on loose tobacco will rise by 11.5 cents to 30 cents per gram. Since less loose tobacco is required to equal an ordinary cigarette, the relatively larger tax increase on loose tobacco will help restore tax parity between the two products. Tax parity helps ensure that different tobacco products are taxed similarly, so there is no incentive for users to shift consumption towards lower-taxed products.

> *The tax on cigarettes will increase by $3 to $40 per carton.*
> *The tax on loose tobacco will rise by 11.5 cents to 30 cents per gram.*

Taxes on cigars will also rise. The tax rate applied to a cigar's taxable price will rise to 103% from 95%. The minimum and maximum tax will also rise to $0.20 and $6.27, respectively.

These increases are estimated to generate an additional $70 million annually.

Provincial Tax Levied on Tobacco
(dollars per carton)



[a] Sales tax calculations are based on a uniform pre-tax price of tobacco, the federal tobacco excise tax and the respective provincial tobacco excise taxes as of March 20, 2009.

CORPORATE TAXES

SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT TAX CREDIT

Beginning in 2009, companies conducting research and development in Alberta are eligible for a provincial research and development tax credit. The credit is worth 10% of eligible expenditures up to $4 million, for a maximum credit of $400,000. The credit is refundable for all companies.

This credit benefits all eligible companies, but is especially important for start-ups and early-stage companies. Since the credit is refundable, these companies can still benefit from the credit even though they may not earn enough income to pay income taxes.

SMALL BUSINESS THRESHOLD/DIVIDEND TAX CREDIT

In 2006, Alberta announced a plan to change the small business income threshold and dividend tax credit rates. The final step of this plan was implemented this year.

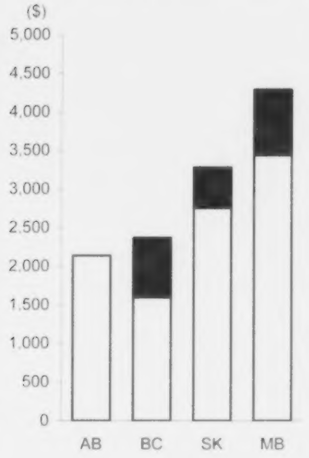
The small business threshold rose to $500,000 on April 1, 2009, encouraging small businesses to grow. Our tax rate on small business income is 3%, the fourth-lowest in Canada. However, Alberta's low personal taxes mean that Alberta continues to have the best combined corporate and personal tax regime for small business owners.

The dividend tax credit rate on dividends paid out of income taxed at the general corporate rate rose to 10% in 2009. At the same time, the dividend tax credit rate for dividends paid out of income taxed at the small business rate fell to 3.5%. These changes will result in similar tax treatment between dividend income received from large corporations and small businesses, and from wages and salaries.

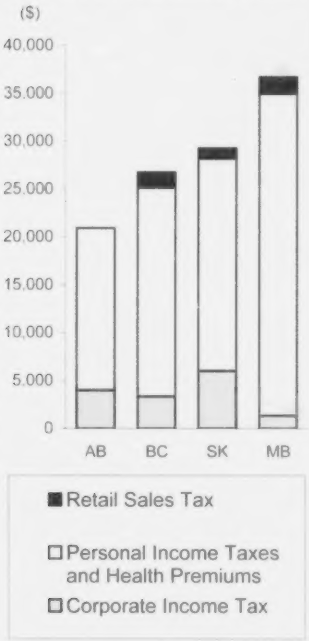
As announced in last year's budget, amendments to the *Alberta Corporate Tax Act* included the introduction of an over-integration tax that will apply after 2008 when small businesses pay eligible dividends from income taxed at the small business rate. Designed to apply only when Alberta's small business threshold is higher than the federal threshold, the tax will ensure that Alberta small business income in excess of the federal threshold will be taxed at a full 10% rate when received by the small business owner. The increase in the federal threshold, to $500,000 on January 1, 2009, means that the tax will not apply in 2009.

PROVINCIAL TAXES PAID BY A SMALL BUSINESS OWNER

$50,000 Small Business Income



$250,000 Small Business Income



Notes:

- Small business income is before compensation is paid to the owner.
- It is assumed that the owner is paid a salary until RRSP contributions are maximized, with any remainder taken as dividends.

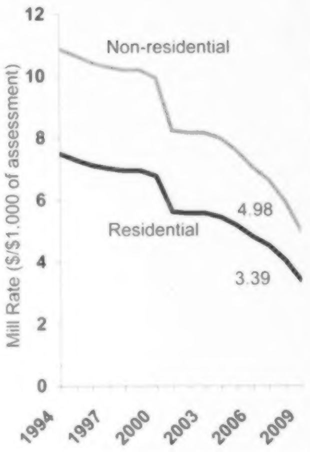
EDUCATION PROPERTY TAXES

Property taxes in Alberta are levied by both the province and municipalities. The provincial education property tax is a stable source of revenue for Alberta's basic education system and will cover about 30% of funding for the system, not including infrastructure, in 2009-10. It is important for all Albertans to contribute to the costs of education through education property taxes, since everyone benefits from a strong basic education system.

Lower education property tax rates offset inflationary growth in the provincial assessment base. The base has grown, even though property values have fallen recently, because it reflects property values as of July 1, 2007.

In 2009, education property tax rates will fall by about 16%, marking the 16th consecutive year that rates have either been frozen or reduced. The residential/farm property rate will fall from $4.04 to $3.39 per $1,000 of equalized assessment. The non-residential rate will fall from $5.94 to $4.98 per $1,000 of equalized assessment.

EDUCATION PROPERTY TAX RATES, 1994–2009



OTHER INITIATIVES

PHYSICAL ACTIVITY CREDIT

In fall 2008, the *Alberta Personal Income Tax (Physical Activity Credit) Amendment Act, 2008* was passed by the Legislature. As this is a private member's bill, the government must proclaim it before it can come into effect.

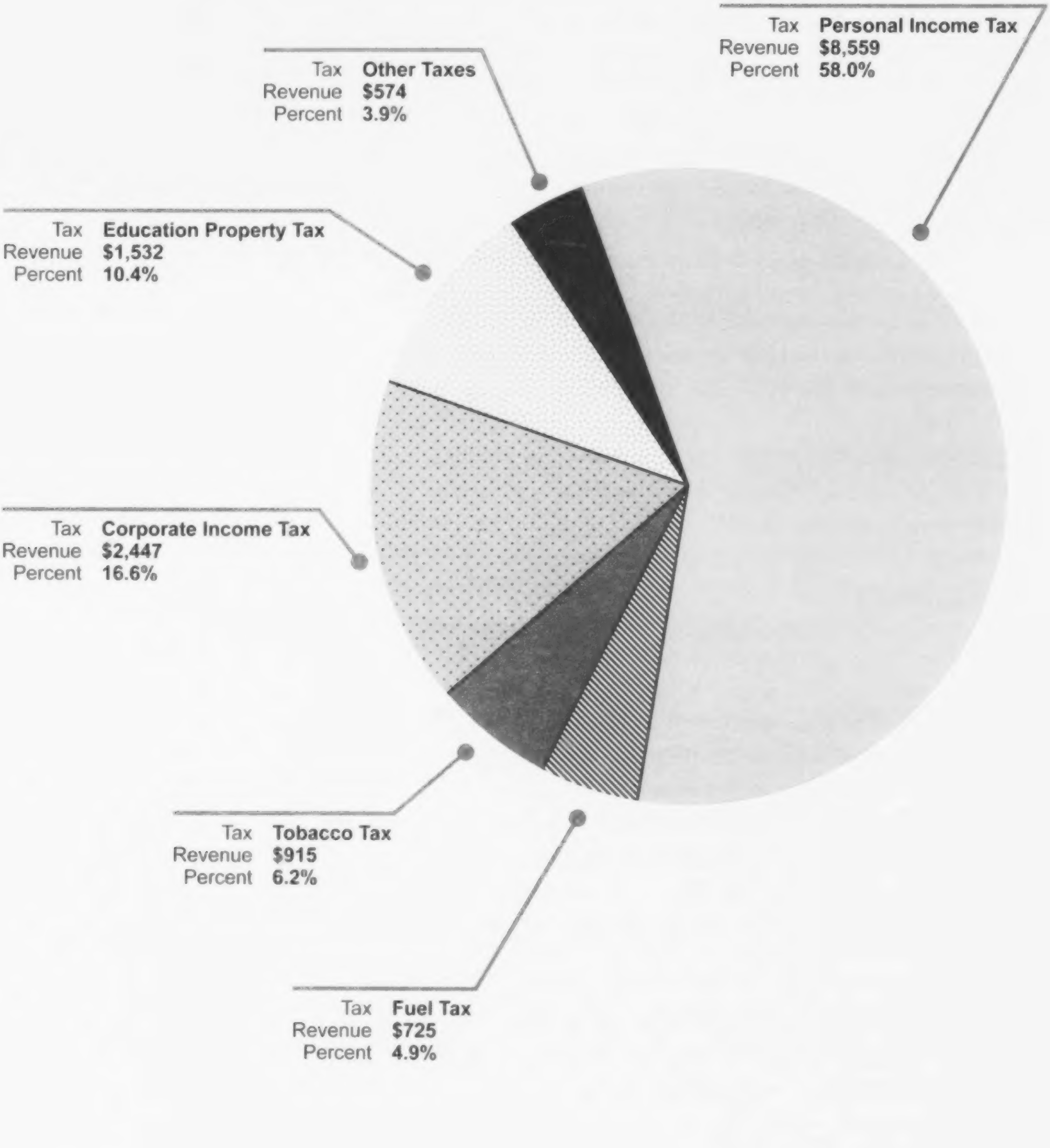
The government has questions about the potential effectiveness of a tax credit in encouraging Albertans to be physically active. Given these questions, and more pressing fiscal priorities, the bill has not been proclaimed into law.

FEDERAL BUDGET RESPONSE

In its January 2009 budget, the federal government enhanced several capital cost allowance rates, including the rates for manufacturing and processing equipment, and computer hardware and software. Alberta will parallel these changes for provincial tax purposes.

2009–10 Tax Revenue ($14,752 million)

(millions of dollars)



2009–10 Revenue from Tax Sources

(millions of dollars)

Tax	Total Revenue	Tax Rate	Revenue per Unit of Tax
1. Personal Income Tax	**8,559**		
Single-rate tax	8,671	10.0%	867.1 per point
Family Employment Tax Credit	(112)		n/a
2. Corporate Income Tax	**2,447**		
General	2,216	10.0%	221.6 per point
Small business	231	3.0%	77.0 per point
3. Education Property Tax[a]	**1,532**		
Residential/farm property	910	\$3.39 / \$1,000 of assessment	268.4 per mill
Non-residential	622	\$4.98 / \$1,000 of assessment	124.9 per mill
4. Tobacco Tax	**915**	\$40/carton	22.9 per \$/carton
5. Fuel Tax	**725**		
Gasoline and diesel	706	9.0 ¢/litre	78.4 per ¢/litre
Propane	4	6.5 ¢/litre	0.6 per ¢/litre
Aviation	11	1.5 ¢/litre	7.3 per ¢/litre
Railway	4	1.5 ¢/litre	2.7 per ¢/litre
6. Freehold Mineral Rights Tax	**200**		n/a
7. Insurance Taxes	**298**		
Life, accident, sickness	76	2% of premium	38.0 per point
Other	222	3% of premium	74.0 per point
8. Tourism Levy	**76**	4.0%	19.0 per point

[a] Does not include revenue of approximately \$190 million raised for opted-out school boards.

Interprovincial Tax and Health Care Insurance Premium Comparison, 2009

(dollars)

	AB	BC	SK	MB	ON	QC	NB	NS	PE	NL
Employment Income of $30,000 – One Income Family with Two Children										
Provincial income tax	**(1,301)**	480	(3,060)	267	(423)	(4,447)	456	861	1,066	1,004
Provincial sales tax	-	497	596	885	871	1,157	1,196	1,124	1,287	1,202
Health care premium	-	-	-	-	225	-	-	-	-	-
Payroll tax	-	-	-	221	279	630	-	-	-	173
Fuel tax	**270**	435	450	345	441	456	321	465	435	495
Total	**(1,031)**	1,412	(2,014)	1,718	1,393	(2,204)	1,973	2,450	2,788	2,874
Alberta Advantage		2,443	(983)	2,749	2,424	(1,173)	3,004	3,481	3,819	3,905
Employment Income of $75,000 – Two Income Family with Two Children										
Provincial income tax	**2,679**	2,107	2,675	4,520	2,480	2,596	4,364	4,522	4,724	3,889
Provincial sales tax	-	1,289	913	1,446	1,643	2,216	1,971	1,869	2,146	2,032
Health care premium	-	972	-	-	563	-	-	-	-	-
Payroll tax	-	-	-	554	698	1,575	-	-	-	433
Fuel tax	**405**	653	675	518	662	684	482	698	653	743
Total	**3,084**	5,021	4,263	7,038	6,046	7,071	6,817	7,089	7,523	7,097
Alberta Advantage		1,937	1,179	3,954	2,962	3,987	3,733	4,005	4,439	4,013
Employment Income of $125,000 – Two Income Family with Two Children										
Provincial income tax	**6,895**	5,209	7,834	10,027	6,196	10,628	10,015	10,725	10,331	9,120
Provincial sales tax	-	1,980	1,364	2,176	2,498	3,191	2,958	2,788	3,230	3,057
Health care premium	-	972	-	-	788	-	-	-	-	-
Payroll tax	-	-	-	923	1,163	2,625	-	-	-	721
Fuel tax	**405**	653	675	518	662	684	482	698	653	743
Total	**7,300**	8,814	9,873	13,644	11,307	17,128	13,455	14,211	14,214	13,641
Alberta Advantage		1,514	2,573	6,344	4,007	9,828	6,155	6,911	6,914	6,341

Calculations are based on other provinces' tax parameters known as of March 20, 2009.

Assumptions:

* Business is assumed to bear between 25% and 60% of the provincial sales tax, depending upon the provincial tax regime.

* Health care insurance premiums are net of premium subsidies.

* In provinces that impose payroll taxes, 75% is assumed to be borne by employees and 25% by employers. The same 75/25 split is assumed for the net health care insurance premiums.

* Fuel tax is based on estimated consumption of 3,000 litres per year for one-income families and 4,500 litres for two-income families.

* RRSP/RPP contributions of $1,000, $9,700 and $16,800 are included in the calculation of personal income tax for the $30,000, $75,000 and $125,000 families, respectively.

* For two-income families, income and RRSP/RPP contributions are split 60/40 between the two spouses.

* The children in each family are assumed to be 6 and 12 years old.

Major Provincial Tax Rates, 2009

		AB	BC	SK	MB	ON	QC	NB	NS	PE	NL
Personal Income Tax											
Statutory rate range											
- lowest rate	(%)	10.00	5.06	11.00	10.80	6.05	16.00[a]	9.65	8.79	9.80	7.70
- highest rate	(%)	10.00	14.70	15.00	17.40	11.16	24.00[a]	17.00	17.50	16.70	15.50
Surtax	(%)	-	-	-	-	20.0/36.0	-	-	10.0	10.0	-
Combined federal/provincial top marginal rate[b]	(%)	39.00	43.70	44.00	46.40	46.41	48.22	46.00	48.25	47.37	44.50
Personal amount	($)	16,775	9,373	13,269	8,134	8,881	10,455	8,605	7,981	7,708	7,778
Spousal amount	($)	16,775	8,026	13,269	8,134	7,541	10,455	7,307	6,778	6,546	6,356
Corporate Income Tax											
General rate	(%)	10.0	11.0	12.0	12.0[d]	14.0	11.9	12.0[e]	16.0	16.0	14.0
M&P rate	(%)	10.0	11.0	10/12[c]	12.0[d]	12.0	11.9	12.0[e]	16.0	16.0	5.0
Small business											
- rate	(%)	3.0	2.5	4.5	1.0[d]	5.5	8.0	5.0	5.0	2.1	5.0
- threshold	($000)	500	400	500	400	500	500	500	400	400	400
Capital Tax											
General	(max.%)	-	-	-	0.3	0.225	0.24	-	0.15[f]	-	-
Financial institutions	(max.%)	-	1.0	3.25	3.0	0.675	0.73[g]	3.0	4.0	5.0	4.0
Retail Sales Tax	(%)	-	7.0	5.0	7.0	8.0	7.5[h]	8.0	8.0	10.0[h]	8.0
Gasoline Tax	(cents/litre)	9.0	18.0[j]	15.0	11.5	14.7	15.2[i,j]	10.7[i]	15.5[i]	14.5[k]	16.5[i]
Tobacco Tax	(dollars/carton)	40.00	37.00	36.60[i]	35.00[i]	24.70	20.60	23.50[i]	33.04[i]	39.90	36.00[i]
Payroll Tax	(max.%)	-	-	-	2.15	1.95	4.26[l]	-	-	-	2.00

Rates for other provinces known as of March 20, 2009.

[a] Quebec residents receive an abatement of 16.5% of basic federal tax in lieu of federal cash transfers to Quebec for several social programs.

[b] The top federal personal income tax rate is 29%, except in Quebec, where the top federal rate is 24.22% because of the federal abatement.

[c] The general corporate income tax rate is reduced by up to 2 points based on the share of a corporation's national manufacturing and processing income allocated to Saskatchewan.

[d] The Manitoba corporate, M&P and small business rates will be reduced from 13%, 13% and 2%, respectively, effective July 1, 2009. These reductions are subject to balanced budget requirements.

[e] New Brunswick's general corporate income tax rate will fall from 13% to 12% on July 1, 2009.

[f] Nova Scotia's general capital tax rate will decrease from 0.2% to 0.15% on July 1, 2009.

[g] Quebec's financial institutions capital tax includes a base rate of 0.48% and a compensatory tax of 0.25%.

[h] These provinces apply their retail sales tax on the retail price of the good or service inclusive of the Goods and Services Tax.

[i] These provinces apply their retail sales tax on the retail price of the good inclusive of the particular excise tax.

[j] An additional 6 ¢/litre is imposed in the greater Vancouver area, 3.5 ¢/litre in Victoria and 1.5 ¢/litre in Montreal. The British Columbia rate includes the carbon tax on gasoline, which will rise from 2.3 ¢/litre to 3.5 ¢/litre on July 1, 2009.

[k] Prince Edward Island's rate is based on a 7.1 ¢/litre base rate and 10.7% of the average wholesale price and is calculated on a monthly basis. The total tax rate is capped at 15.8 ¢/litre.

[l] Quebec levies an additional tax of up to 2% on the wages of financial institutions that is not included in this rate.

RESPONSE TO THE AUDITOR GENERAL

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RESPONSE TO THE AUDITOR GENERAL

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RESPONSE TO THE AUDITOR GENERAL – OCTOBER 2008

Beginning in 2008, the Auditor General will report twice a year on the scope and findings of the work carried out by the Office of the Auditor General. The following are the numbered recommendations in the Auditor General's second semiannual report titled Report of the Auditor General of Alberta - October 2008 and the government's response to each of them, including areas that are clearly matters of public policy, which are the responsibility of the Government and outside the purview of the Auditor General.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Chief executive officer selection, evaluation and compensation	
1. Guidance	
We recommend that the Deputy Minister of Executive Council through the Agency Governance Secretariat assist agencies and departments by providing guidance in the areas of CEO selection, evaluation and compensation.	**Accepted in principle**. The Secretariat will work collaboratively with Treasury Board and Corporate Human Resources (CHR), to develop the capacity to provide consistent information and guidance on good practices in the areas of CEO selection, evaluation and compensation. A work plan to implement this recommendation will be completed by the end of the 2009-10 fiscal year.
2. Accountability	
We recommend the Agency Governance Secretariat, on behalf of Ministers, annually obtain information from agencies on CEO evaluation and compensation processes to assess if good practices are being consistently followed. The results of these systems assessments should be reported to Ministers, who should then hold boards of directors accountable for their decisions.	**Accepted in principle**. Implementing this recommendation will require close collaboration between the Secretariat, Treasury Board and CHR, as well as consultation with departments and agencies. A work plan to implement this recommendation will be completed by the end of the 2009-10 fiscal year.
3. CEO compensation disclosure	
We recommend that the Treasury Board consider applying the new private-sector compensation-disclosure requirement to the Alberta public sector.	**Under review.** As the new disclosure requirement applies to publicly traded companies and income trusts, the Department of Treasury Board will review whether the new private-sector compensation disclosure requirement is applicable to the Alberta public sector.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Protecting information assets	
4. Central Security Office To secure the Government of Alberta's information, we recommend that Executive Council ensures that a central security office is immediately established to oversee (develop, communicate, implement, monitor and enforce) all aspects of information security for organizations using the government's shared information-technology infrastructure.	**Accepted.** Through the Information Management and Technology strategy approved by the Agenda and Priorities Committee and Cabinet in July 2008, the Ministry of Service Alberta has the necessary policy and authority structures to implement this recommendation. The Ministry of Service Alberta has appointed a director to oversee all aspects of an information security program for government's shared technology infrastructure. A cross-ministry committee has been recently established to oversee the development of improved security policies and directives, and will include a member from Executive Council.
5. Develop standards and policies to ensure web applications are built to required standards We recommend that the Ministry of Service Alberta, in conjunction with all ministries and through the Chief Information Officer (CIO) Council, develop and implement well-designed and effective controls to ensure all Government of Alberta web applications consistently meet all security standards and requirements.	**Accepted.** Through the Corporate Chief Information Officer and in consultation with ministries and their Chief Information Officers (CIOs), the Ministry of Service Alberta has implemented controls and is developing policies and practices to ensure web applications are regularly reviewed and evaluated for security considerations. This will be completed by March 2009. The Ministry of Service Alberta is also working to ensure compliance to policy, directives and best practices.
6. Review and improve the GOA's shared computing infrastructure policies, procedures, and standards We recommend that the Ministry of Service Alberta work with all ministries and through the Chief Information Officer (CIO) Council, to develop and implement policies, procedures, standards, and well-designed control activities for the Government of Alberta's shared computing network.	**Accepted.** The Ministry of Service Alberta is updating policies and directives regarding security policy, procedures, standards and control activities. The policy work will be completed by the end of 2008-09. Substantial consolidation and coordination of security operations functions are underway across government, along with greater oversight and accountability.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
7. Ongoing monitoring and surveillance	
We recommend that the Ministry of Service Alberta, in conjunction with all ministries and through the Chief Information Officer (CIO) Council, update network surveillance methods to detect and investigate the presence of unauthorized wireless access points within the Government of Alberta.	**Accepted.** The Ministry of Service Alberta is reviewing information security policies and directives, and updating them based on international standards and best practices. The policy update will be completed by fiscal year end 2008-09.
8. Physical security	
We recommend that the Ministry of Service Alberta work with the Ministry of Infrastructure, in conjunction with all ministries and through the Chief Information Officer (CIO) Council, to improve: • physical security controls at data facilities. • logging of access to data facilities by implementing effective controls to track access.	**Accepted.** The Ministry of Service Alberta will continue to collaborate with the Ministry of Infrastructure and work in conjunction with all ministries to improve physical security controls at data facilities. This includes logging of access to data facilities by implementing effective controls to track access. Physical security in all remote sites will be improved by end of fiscal 2008-09.
Alberta's response to climate change	
9. Planning	
We recommend that the Ministry of Environment improve Alberta's response to climate change by: • establishing overall criteria for selecting climate-change actions. • creating and maintaining a master implementation plan for the actions necessary to meet the emissions-intensity target for 2020 and the emissions-reduction target for 2050. • corroborating – through modeling or other analysis – that the actions chosen by the Ministry result in Alberta being on track for achieving its targets for 2020 and 2050.	**Policy matters are outside the purview of the Auditor General**. Alberta's response to climate change is a matter of public policy. The Ministry of Environment is developing a master implementation plan for achieving the 2020 and 2050 targets, including key decision milestones and a process for identifying, selecting and assessing potential actions in fiscal year 2009-10.
10. Monitoring processes	
We recommend that for each major action in the 2008 Climate Change Strategy, the Ministry of Environment evaluate the action's effect in achieving Alberta's climate change goals.	**Accepted.** As part of the master implementation plan, the process for developing programs will include expectations (as part of an accountability framework) for ongoing reporting against the stated objectives. This will be linked to the actions taken in overall public reporting. Monitoring will commence when actions are implemented, which will begin as early as fiscal year 2009-10.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
11. Public reporting	
We recommend that the Ministry of Environment improve the reliability, comparability and relevance of its public reporting on Alberta's success and costs incurred in meeting climate-change targets.	**Accepted**. The Ministry of Environment will develop a methodology with an appropriate data set identified in support of a new performance measure for climate change. Reporting is planned to commence in fiscal year 2010-11.
ATB Financial–treasury management	
12. Business rules and operating procedures	
We recommend that Alberta Treasury Branches develop and document the business rules and operating procedures required to implement the improved investment policy being developed.	**Accepted**. Alberta Treasury Branches has revised the previous investment policy in consultation with an international accounting firm. The investment policy was approved by the Board in August 2008. Business rules and operating procedures required to implement the new investment policy have been developed and are expected to be implemented by March 2009.
13. Liquidity contingency plan	
We recommend that Alberta Treasury Branches develop a comprehensive liquidity contingency plan to be better prepared for a liquidity crisis and to fully comply with Alberta Finance and Enterprise's Liquidity Guideline. The plan should be updated and approved regularly.	**Accepted**. Alberta Treasury Branches has commenced a recruitment process for a newly created senior management role to focus on the issue of liquidity. Liquidity contingency planning will be enhanced by September 2009.
14. Interest rate risk reporting	
We recommend that Alberta Treasury Branches provide better – more qualitative and quantitative – reporting to senior management and the Board on its interest rate risk management.	**Accepted**. Alberta Treasury Branches' (ATB) Treasury Department plans to supplement the current interest rate risk reporting with additional scenario analysis and possibly new measurement methodologies. This additional information will be developed with input from the Senior Asset Liability Committee (Senior ALCO) and is expected to provide an enhanced view of ATB's interest rate exposure. This process will be initiated by March 2009 and completed by September 2009.
15. Role of ALCO	
We recommend that Alberta Treasury Branches review the role of the Asset Liability Committee (ALCO) and consider restructuring it into two tiers.	**Accepted**. Alberta Treasury Branches has restructured the Asset Liability Committee (ALCO) into two tiers, one tactical (ALCO) and one strategic (Senior ALCO). The first meeting of Senior ALCO occurred in early November 2008.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Alberta's mental health service delivery system	
16. Mental health standards We recommend that the Department of Health and Wellness and Alberta Health Services create provincial standards for mental health services in Alberta.	**Policy matters are outside the purview of the Auditor General**. Alberta Health Services (AHS) supports and works with Alberta Health and Wellness in developing evidence-based standards when required as a component of mental health policy development. The Department of Health and Wellness, in conjunction with AHS and the Department of Children and Youth Services, has developed access standards for children's mental health. Over the next three years, the Department of Health and Wellness and AHS will identify and develop standards for mental health services as needed.
17. Housing and supportive living We recommend that Alberta Health Services encourage mental health housing development and provide supportive living programs so mental health clients can recover in the community.	**Policy matters are outside the purview of the Auditor General**. Determining the appropriate programs and the amount of public funding for mental health housing development and supportive living programs are matters of public policy. Alberta Health Services (AHS) would require support for housing alternatives, supportive living programs and community based innovations from other ministries. As part of their supportive living mandate, AHS is coordinating housing and supportive living programs within their case management approach.
18. Clients with concurrent disorders We recommend that Alberta Health Services strengthen integrated treatment for clients with severe concurrent disorders (mental health issues combined with addiction issues).	**Accepted**. Alberta Health Services' responsibility for the Alberta Alcohol and Drug Abuse Commission and the Alberta Mental Health Board has enhanced the opportunity to integrate services for these clients. Alberta Health Services will further develop best practices based on the good models that already exist within the service delivery system. The Alberta Health Services' implementation plan will be developed by Spring 2009.
19. Opportunities to reduce gaps in service We recommend that Alberta Health Services reduce gaps in mental health delivery services by enhancing: • mental health professionals at points of entry to the system; • coordinated intake; • specialized programs in medium-sized cities; and • transition management between hospital and community care.	**Accepted**. Alberta Health Services will develop an implementation plan to address this recommendation by Spring 2009.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Advanced Education and Technology	
20. University of Alberta – Improve investment controls	
We recommend that the University of Alberta: • provide increased levels of detail on investments to the Investment Committee to facilitate the monitoring of the University's investments, and • implement approval procedures for new investment vehicles.	**Accepted**. The University of Alberta will work with the Board Investment Committee to develop a more comprehensive process for reporting and approving investments.
21. University of Calgary – Improving the University's decentralized control environment	
We recommend that the University of Calgary improve the effectiveness of its control environment by: • assessing whether the current mix of centralized and decentralized controls is appropriate to meet its business needs. • defining clear roles, responsibilities and accountabilities for control systems' design, implementation, and monitoring. • documenting its decentralized control environment and implementing training programs to ensure those responsible for business processes have adequate knowledge to perform their duties. • monitoring decentralized controls to ensure processes operate effectively.	**Accepted**. The University of Calgary is currently conducting a process evaluation. University management will review the results along with the current model to determine whether changes are appropriate.
22. University of Calgary – PeopleSoft security - recommendation repeated	
We again recommend that the University of Calgary improve controls in the PeopleSoft system by: • finalizing and implementing the security policy and the security design document, and • ensuring that user access privileges are consistent with both the user's business requirements and the security policy.	**Accepted**. The University of Calgary is currently developing detailed action plans for each recommendation. These plans are to be incorporated into the Chief Information Officer's 2008-12 Strategic Vision and Business Plan.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
23. All universities - Review accounting treatment for Universities Academic Pension Plan for all universities	
We recommend that the four Alberta universities continue to work together – and with the Department of Advanced Education and Technology – to review the accounting treatment for the unfunded liability of the Universities Academic Pension Plan.	**Accepted**. The four Alberta universities and the Department of Advanced Education and Technology are committed to working towards an approach on how to account for the Universities Academic Pension Plan prior to the universities' 2008-09 financial year end.
Employment, Immigration and Industry	
24. Monitoring and enforcement of training providers	
We recommend that the Department of Employment and Immigration improve its monitoring of tuition-based training providers by: • assessing whether performance expectations are being met. • quantifying tuition refunds that may be owing to the Department. • implementing policies and procedures that outline steps and timelines for dealing with non-compliance problems.	**Accepted**. The Department of Employment and Immigration has formed a working group to provide direction in the development of the Quality Assurance/Compliance policy which will define regional and corporate roles, enforcement actions, timing and sanctions to be applied for non-compliance situations. Development of the new assessment model is in progress and is expected to be completed by March 2009.
Energy	
25. Alberta's Bioenergy Programs	
We recommend that the Department of Energy: • undertake and document its analysis to quantify the environmental benefits of potential bioenergy technologies to be supported in Alberta. • establish adherence to the Nine Point Bioenergy Plan as a criterion within its bioenergy project review protocol, and require grant applications to indicate the projected environmental benefits of proposed projects. • prior to awarding grants in support of plant construction, require successful applicants to quantify – with a life cycle assessment – the positive environmental impact relative to comparable non-renewable energy products.	**Accepted**. The Department of Energy has revised the bioenergy grant contracts to require all new applicants to quantify the positive environmental benefits. An estimate of the environmental benefits to Alberta bioenergy technologies and projects will be completed by the end of fiscal year 2009-10.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
26. Strengthen controls to detect and prevent errors in reporting of royalty-liable fuel-gas volumes	
We recommend that the Department of Energy: • strengthen controls to prevent fuel-gas volumes being incorrectly reported in the Petroleum Registry of Alberta and to detect incorrect reporting. • improve its detection and monitoring processes over fuel-gas volume amendments.	**Accepted.** The Department of Energy has reassigned resources to strengthen the controls and procedures used to detect and prevent incorrect reporting of fuel gas volumes. These controls and procedures will be implemented by the end of fiscal year 2009-10.
27. Climate-Change and Emissions-Management Fund	
We recommend that the Ministry implement processes to comply with the Department of Treasury Board's deadlines for completing the financial statements of the Climate Change and Emissions Management Fund. We also recommend that the Ministry's management prepare the Fund's financial statements on an accrual basis.	**Accepted.** The Ministry of Environment is working with staff from the Office of the Auditor General and the Department of Treasury Board to address issues related to the financial statements. Target for resolution is fiscal year 2008-09.
Finance	
28. Financial reporting processes and succession planning - Investment Accounting and Reporting Group	
We recommend that the Investment Accounting and Reporting group (IAR) of the Department of Finance and Enterprise improve the timeliness of its financial reporting and assess IAR workloads by: • recruiting sufficient people with expertise in investment accounting. • ensuring time budgets allow for increases in the number of investment pools, complexity of investment transactions, staff absences, management review and correction of errors. • creating a management succession plan.	**Accepted in principle.** The Department of Finance and Enterprise restructured the Financial Services area in 2007-08, refocusing existing resources to meet priorities and ensure current skills were being utilized most effectively. Budget 2008 provided increased funds for additional staff to address some of the pressures in the current year. Management will also investigate broader innovative strategies to manage the workload and establish succession plans in 2009-10.
29. ATB - Action plans to resolve internal control weaknesses identified by ATB's internal control group	
We recommend that Alberta Treasury Branches validate and approve business processes and internal control documentation developed by its internal control group and implement plans to resolve identified internal control weaknesses.	**Accepted in principle.** Alberta Treasury Branches has documented nearly all medium to high-risk processes and is in the process of integrating the internal control documentation activities and operational risk self-assessment. The focus over the next one to two years will be around this integration and to more fully understand the operating risks, since this is a larger risk exposure.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
30. ATB - Criminal-record checks	
We recommend that Alberta Treasury Branches improve its hiring processes to ensure that criminal-record checks are completed before people start working.	**Accepted**. Alberta Treasury Branches revised the commencement process to require all commencement information be received, including the completion and authorization of the criminal check consent form, before an employee number is issued from the payroll system. All offers of employment are conditional based on satisfactory completion of a criminal check.
31. ATB - Securitization policy and business rules	
We recommend that Alberta Treasury Branches develop and implement a securitization policy and securitization business rules.	**Accepted**. Alberta Treasury Branches has drafted a Securitization Policy and it is anticipated that the Policy will be presented to the Board for approval by the end of the calendar year. Management's current expectation is that the documentation supporting roles, responsibilities and procedures will be completed by March 2009.
32. AIMCo - Internal control certification	
We recommend that Alberta Investment Management Corporation introduce a process to prepare for internal control certification by: • ensuring that its strategic plan includes internal control certification. • developing a top-down, risk-based process for internal control design. • selecting an appropriate internal control risk-assessment framework. • considering sub-certification processes, with direct reports to the Chief Executive Officer and Chief Financial Officer providing formal certification on their areas of responsibility. • ensuring that management compensation systems incorporate the requirement for good internal control. • using a phased approach to assess the design and operating effectiveness of internal controls.	**Accepted in principle**. Alberta Investment Management Corporation plans to introduce a process to get the organization ready for internal control certification in the work plan for fiscal 2009-10. After an assessment of work effort required, a firm commitment on completion can be made.
33. AIMCo - Ensuring completeness and accuracy of private equity partnership investments – recommendation repeated	
We again recommend that Alberta Investment Management Corporation reconcile its investments in private equity partnerships to the audited partnership financial statements.	**Accepted.** Alberta Investment Management Corporation has hired an additional Private Investments Administrator to address the reconciliations between investments in private equity partnerships and the audited partnership financial statements.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
34. AIMCo – International Swaps and Derivatives Association Agreements	
We recommend that Alberta Investment Management Corporation regularly review its International Swaps and Derivatives Association agreements to ensure that they protect it from the risk of default by its counterparties. We also recommend that the Corporation document the reasons for any changes to the standard form of the agreement.	**Accepted**. Alberta Investment Management Corporation and the Department of Finance and Enterprise, Treasury Management will jointly implement procedures to document any deviations from the standard International Swaps and Derivatives Association agreements and conduct periodic reviews to ensure agreements are adequate for the counterparty's current credit ratings. It is anticipated these new procedures will be in place by March 2009.
Health and Wellness	
35. Compliance monitoring activities	
We recommend that the Department of Health and Wellness complete a comprehensive risk assessment and develop a risk based plan to improve the effectiveness of its compliance-monitoring activities.	**Accepted**. The Department of Health and Wellness has recruited an Executive Director to ensure appropriate leadership and knowledge exists within the compliance monitoring function. The Department of Health and Wellness has also contracted an Enterprise Risk Management consultant to develop a risk assessment framework to provide guidance to the overall approach to risk management. This framework is to be completed by March 2009.
36. Province Wide Services	
We recommend that the Department of Health and Wellness: • define the role and the responsibilities of the Province Wide Services Advisory Committee. • update the Province Wide Services Funding Procedures and Definitions Manual and follow it.	**Under Review**. The Department of Heath and Wellness is currently re-evaluating the future strategy with respect to Province Wide Services in light of the decision to alter the form of health services delivery through Alberta Health Services.
Municipal Affairs and Housing	
37. *ME first!* Program	
We recommend that the Department of Municipal Affairs assess the effect on greenhouse gas emissions of the energy savings that resulted from the projects funded by the Department's *ME first!* Program and that the Department report the lessons learned from this program to the Departments involved in creating climate change programs.	**Accepted**. The Department of Municipal Affairs will report on the effect on greenhouse gas emissions and report on the lessons learned from the *ME first!* Program. An action plan is in place to obtain the outstanding Energy Reduction Confirmation Reports by December 2009. The lessons learned will be shared with the other departments involved in creating climate change programs by June 2010.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Service Alberta	
38. Service Alberta's role as a central processor of transactions	
We recommend that the Ministry of Service Alberta consider providing internal control assurance to its client ministries on its centralized processing of transactions.	**Accepted.** By the end of 2008-09, the Ministry of Service Alberta will work with the cross government finance community to develop a plan to provide assurance over its centralized processing of transactions.
Sustainable Resource Development	
39. Controls over revenue	
We recommend that the Department of Sustainable Resource Development put processes in place to allow significant revenues currently recorded when cash is received to be recorded when revenue is due to the Crown.	**Accepted.** The Department of Sustainable Resource Development is reviewing options and by March 2009, will implement a process to ensure revenues are recorded in the year they are earned.
40. Enforcement of reclamation obligations	
We recommend that the Department of Sustainable Resource Development improve processes for inspecting aggregate holdings on public land and enforcing land reclamation requirements.	**Accepted**. During the 2008 field season, the Department of Sustainable Resource Development implemented a new Land Management Inspection Protocol which provides a consistent, risk based approach to all land use inspections. To improve enforcement, a new sand and gravel policy requires that lease renewals be based on the lessee performance, including reclamation obligations.
41. Flat fee security deposit	
We recommend that the Department of Sustainable Resource Development access the sufficiency of security deposits collected under agreements to complete reclamation requirements.	**Accepted**. The Department of Sustainable Resource Development is considering increases to security deposits and other tools such as performance bonds, judicious use of Ministerial Orders under the *Environmental Protection and Enhancement Act*, and conditions for lease renewal based on inspections of the lease-holder's performance to fully reflect reclamation costs. Improvements will be implemented by March 2010.
42. Royalty rates for sand and gravel	
We recommend that the Department of Sustainable Resource Development access whether current royalty rates for aggregate resources on public lands meet the aggregate allocation program goals and objectives.	**Accepted**. The Department of Sustainable Resource Development is conducting a rate review during fiscal year 2008-09.

RESPONSE TO THE AUDITOR GENERAL – APRIL 2008

Beginning in 2008, the Auditor General will report twice a year on the scope and findings of the work carried out by the Office of the Auditor General. The following are the numbered recommendations in the Auditor General's first semiannual report titled Report of the Auditor General of Alberta – April 2008 and the government's response to each of them.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Post-Secondary Institutions – non-credit programs	
1. Clarify standards and expectations We recommend that the Department of Advanced Education and Technology: • clarify its standards and expectations for non-credit programs and clearly communicate them to public post-secondary Institutions. • work with Institutions to improve the consistency of information that Institutions report to the Department.	**Accepted.** The Department of Advanced Education and Technology has drafted a document to address the categories of costs and the use of the operations grants to public post-secondary Institutions. This document will be finalized as part of a funding and accountability framework under the *Roles and Mandates Policy Framework for Alberta's Publicly Funded Advanced Education System* in 2008-09.
2. Monitor Institutions' non-credit programs We recommend that the Department of Advanced Education and Technology implement effective processes to: • monitor whether Institutions report information consistent with its expectations. • investigate and resolve cases where Institutions' program delivery is inconsistent with its standards and expectations.	**Accepted.** The Department of Advanced Education and Technology will provide additional training to Institutions on reporting requirements for non-credit programs and will introduce a more formal follow up process to investigate and resolve issues in 2008-09.
Implementing the *Provincial Mental Health Plan*	
3. Implementation systems We recommend that the Alberta Mental Health Board and the Department of Health and Wellness, working with other mental health participants, strengthen implementation of the *Provincial Mental Health Plan* by improving: • implementation planning, • the monitoring and reporting of implementation activities against implementation plans, and • the system to adjust the Plan and implementation initiatives in response to changing circumstances.	**Accepted**. The Department of Health and Wellness is developing an action plan to strengthen implementation of the *Provincial Mental Health Plan* by improving systems to plan, monitor, report, evaluate and adjust the Plan. The target date for the action plan is September 30, 2008.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
4. The accountability framework	
We recommend that the Department of Health and Wellness ensure there is a complete accountability framework for the *Provincial Mental Health Plan* and mental health services in Alberta.	**Accepted.** The Department of Health and Wellness is developing an action plan to ensure there is a complete accountability framework for the *Provincial Mental Health Plan* and mental health services in Alberta. The target date for the action plan is September 30, 2008.
Identifying and managing conflicts of interest for contracted IT professionals	
5. Identifying and managing conflicts of interest for contracted IT professionals	
We recommend that the Ministry of Transportation, in consultation with the Department of Justice, review and revise contracts for IT professionals, ensuring that there are adequate conflict-of-interest provisions with accompanying disclosure requirements.	**Accepted.** The Ministry of Transportation will continue to consult with the Department of Justice on contracts for IT professionals and make any necessary revisions in 2008-09.
6. Identifying and managing conflicts of interest for contracted IT professionals	
We recommend that the Ministry of Transportation improve its system for identifying and managing apparent or real conflicts of interest for contracted IT professionals.	**Accepted.** The Ministry of Transportation will establish guidelines for staff to follow in addressing apparent or real conflicts of interest for contracted IT professionals by March 31, 2009.
IT Control framework	
7. Guidance to implement IT control frameworks	
We recommend that the Ministry of Service Alberta, in conjunction with all ministries and through CIO Council, develop and promote: • a comprehensive IT control framework, and accompanying implementation guidance, and • well-designed and cost-effective IT control processes and activities.	**Accepted.** The Ministry of Service Alberta will customize the comprehensive IT control framework to meet common Government of Alberta requirements and specific departmental needs. Through a collaborative process with each ministry, the Department expects the framework to be developed in 2008-09; full implementation of this recommendation is expected in 2010-11.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
College and technical institute computer controls	
8. Well-designed and effective IT control policies and processes	
We recommend that the Department of Advanced Education and Technology give guidance to public post-secondary Institutions on using an IT control framework to develop control processes that are well-designed, efficient, and effective.	**Accepted.** The Department of Advanced Education and Technology is prepared to provide documentation and advice on IT control frameworks to public post-secondary Institutions.

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